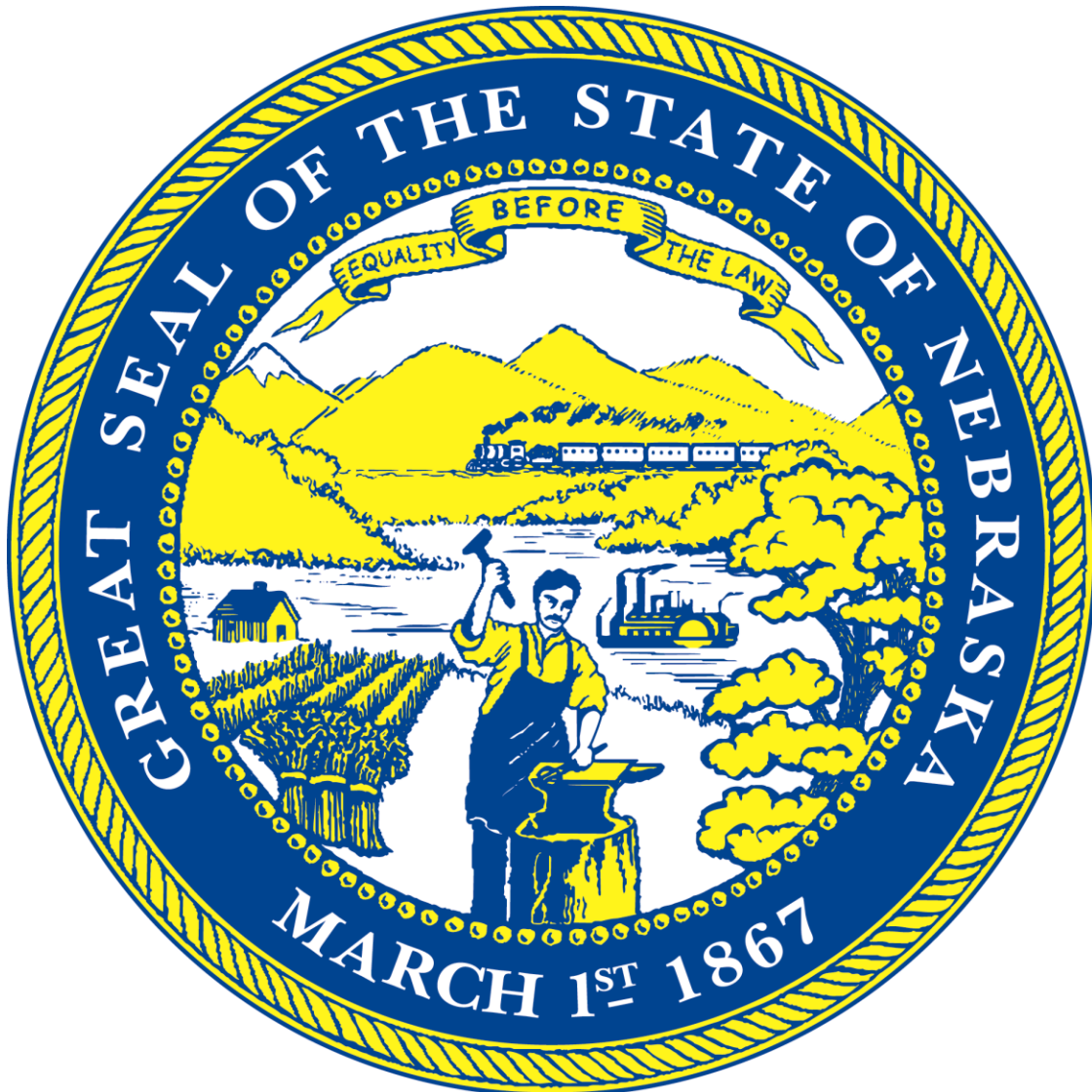


# State of Nebraska

## *Comprehensive Annual Financial Report*

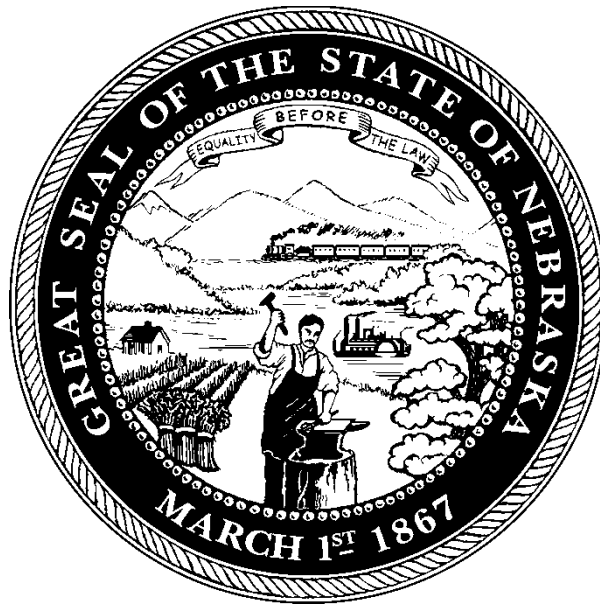
Fiscal Year Ended June 30, 2017



# State of Nebraska

## Comprehensive Annual Financial Report

Year Ended June 30, 2017



**Pete Ricketts**

*Governor*

**Administrative Services**

**Byron Diamond**

*Director*

**Jerry Broz**

*State Accounting Administrator*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

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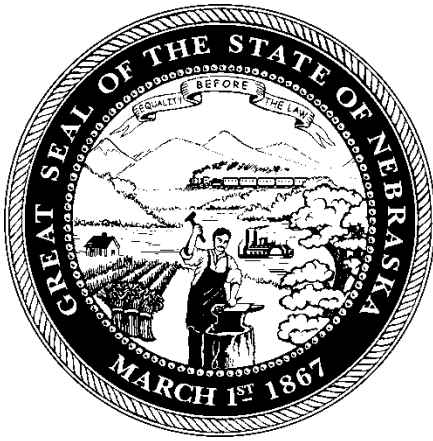


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# INTRODUCTORY SECTION

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# SELECTED STATE OFFICIALS

As of June 30, 2017

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## EXECUTIVE

**Pete Ricketts**

Governor

**Mike Foley**

Lieutenant Governor

**Doug Peterson**

Attorney General

**Charlie Janssen**

Auditor of Public Accounts

**John A. Gale**

Secretary of State

**Don Stenberg**

State Treasurer

## JUDICIAL

**Supreme Court of Nebraska**

Michael G. Heavican, Chief Justice

William B. Cassel, Justice

Jeffrey J. Funke, Justice

Max J. Kelch, Justice

Lindsey Miller-Lerman, Justice

Stephanie F. Stacy, Justice

John F. Wright, Justice

## LEGISLATIVE

**Jim Scheer**

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



December 14, 2017

The Honorable Pete Ricketts, Governor  
Members of the Legislature  
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the “State”) for the fiscal year ended June 30, 2017. This report is the primary means of reporting the State government’s financial activities. The State of Nebraska’s financial statements have been audited by the State of Nebraska Auditor of Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Except for the possible effects of the matter discussed below, the independent auditor’s opinion stated that the State’s financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor qualified their opinion due to the fact that attestation reports prepared by other auditors on the design and operating effectiveness of internal controls of two service organizations that process the State’s self-funded health insurance and prescription drug claims were not released prior to the statutorily required reporting date for the CAFR. Please see the independent auditor’s report, presented as the first component of the financial section of this report, for further information.

The independent audit of the financial statements of the State was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State’s separately issued Single Audit Report.

The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model’s objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management’s Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 members elected on a non-partisan ballot. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 10.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system checks each expenditure to ensure the appropriation and allotment are not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 84 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 137 through 140.

## **FACTORS AFFECTING FINANCIAL CONDITION**

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

### ***Current Revenue Outlook***

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent 96 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2017 decreased \$5 million from the prior year.

The current forecast for fiscal year 2018 anticipates net receipts in the General Fund to increase about \$239 million, a 5.6% increase over fiscal year 2017, indicating a strengthening Nebraska economy. No significant changes in revenue are anticipated in the other governmental funds.

For the fiscal year ending June 30, 2017 the State's General Fund ended the fiscal year with a cash and investments balance of \$970 million. The balance had exceeded \$800 million dollars for the prior nine years.

### ***Economy of the State***

The University of Nebraska-Lincoln Bureau of Business Research and the Nebraska Business Forecast Council are cautiously optimistic in forecasting Nebraska's economic future. The Council is projecting moderate growth for both the national economy and for Nebraska. The Council's June 2017 State forecast is shown on the following chart. The agriculture sector is a major force in the Nebraska economy. Farm incomes (net) have declined over the last four years, are expected to bottom out during 2017, then grow modestly in 2018 and 2019 due to improved farm productivity. Commodity prices are expected to remain steady rather than rebound. Weakness in the agricultural sector will cap growth in the Nebraska economy despite strong growth in other sectors such as construction and business services. Annual nonfarm income is projected to grow in the 3.8% to 4.2% range for 2017 through 2019 while employment continues to grow in the 1.0% range as population growth remains modest. This projected growth in annual income is sufficient to exceed inflation, implying growth in real per capita income.

	ACTUAL			PROJECTED		
	2014	2015	2016	2017	2018	2019
<b>Net Farm Income (USDA):</b>						
Annual Totals (in millions \$)	5,823	4,885	4,431	3,733	3,879	4,154
Growth Rates	-21.9%	-16.1%	-9.3%	-15.8%	3.9%	7.1%
<b>Nonfarm Personal Income:</b>						
Annual Totals (in millions \$)	84,965	87,155	90,097	93,564	97,375	101,440
Growth Rates	7.5%	2.6%	3.4%	3.8%	4.1%	4.2%
<b>Nonfarm Employment:</b>						
Annual Totals	992,900	1,006,300	1,015,000	1,024,600	1,035,700	1,046,800
Growth Rates	1.3%	1.3%	0.9%	0.9%	1.1%	1.1%

### ***Long-term Financial Planning***

The State always is looking at least four years out in its analysis of the financial condition of the State in preparing the State's budgets. Currently, we have a working model of the biennium budget for fiscal years 2018 and 2019. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. Revenues for fiscal years 2018, 2019, 2020 and 2021 are projected to increase by 5.6%, 3.8%, 5.3% and 6.8%, respectively. The 5.6% projected growth for fiscal year 2018 follows a revenue decline of 1.0% in fiscal year 2017. Note that revenue projections include receipts of one-time transfers which could influence growth rates.

Higher than projected tax receipts have historically boosted state revenue, the two recently completed fiscal years, 2017 and 2016, being exceptions. By operation of law, any revenue above the certified forecast is used to rebuild the cash reserve, which is intended to supplement weak revenue during recessionary periods. The potential for relatively large annual growth in expenditures for aid to education, Medicaid, and other health and human services presents a challenge in preparing a budget that keeps expenses within projected revenue. Additionally, growth in recent years in the prison inmate population continues to present complex challenges to controlling operating costs and planning for possible capital asset improvements. To ensure a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

## ***Major Initiatives***

Major initiatives focus on growing Nebraska by creating opportunity through more effective, more efficient, and customer focused state government. Priorities include efficiency and effectiveness, customer service, growth, public safety and reduced regulatory burden.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded the State of Nebraska a Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended June 30, 2016. This was the twenty-sixth consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We are confident that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

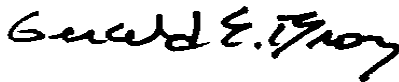
The 2017 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

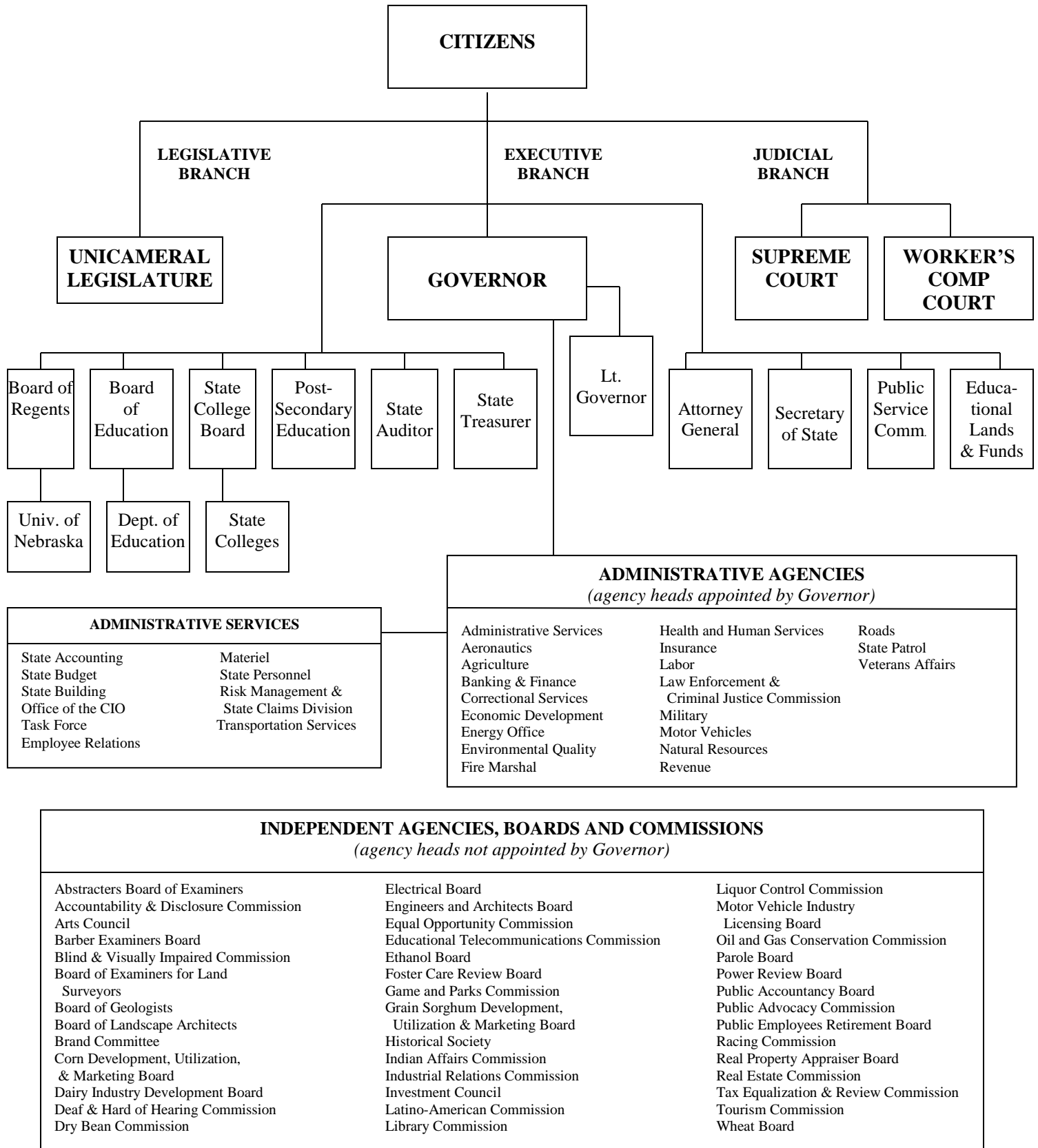


Byron L. Diamond  
Director, Administrative Services



Gerald E. Broz  
State Accounting Administrator

# Nebraska State Government Organization Chart







Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

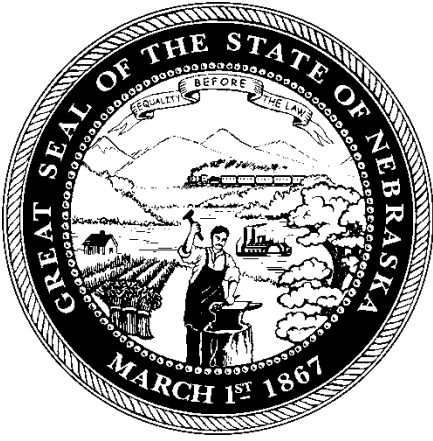
**State of Nebraska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO



## FINANCIAL SECTION

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## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.nebraska.gov

### Independent Auditor's Report

The Honorable Governor,  
Members of the Legislature and  
Citizens of the State of Nebraska:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, which represent 44%, 45%, and 17%, respectively, of the assets, net position or fund balances, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan and Enable Savings Plan which represent 18%, 21%, and 17% of the assets, net position or fund balances, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan and Enable Savings Plan is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Nebraska's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

#### ***Basis for Qualified Opinions***

The State of Nebraska contracted with two service organizations, United Healthcare Services, Inc. and OptumRx, Inc. to process its self-funded health insurance and prescription drug claims paid on behalf of State employees. During the fiscal year ended June 30, 2017, the State of Nebraska paid or was liable for a total of \$184,052,764 in claims. Neb. Rev. Stat. § 81-1125.01 requires in part, for the Director of Administrative Services to report "at least twenty days before the commencement of each regular session of the Legislature: (2) The Comprehensive Annual Financial Report..." We were unable to obtain sufficient appropriate audit evidence, prior to the statutorily required reporting date, regarding the suitability of the design and operating effectiveness of the service organizations internal controls. The service organization control attestation reports had not yet been released by their auditors.

#### ***Qualified Opinions***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 16 through 29, the Budgetary Comparison Schedule on page 84, the Information About Infrastructure Assets Reported Using the Modified Approach on page 86, and the Information About Pension Plans on pages 87 through 102, be presented to supplement the basic financial statements. Such information, although not a part of



the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements and budgetary comparison schedules included as supplementary information, and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparison schedules included as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining statements and budgetary comparison schedules included as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Nebraska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance.

Lincoln, Nebraska  
December 14, 2017



Philip J. Olsen, CPA, CISA  
Audit Manager

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented one new standard in 2017 required by the Governmental Accounting Standards Board (GASB) that had an impact on the June 30, 2017 financial statements. Statement No. 77, *Tax Abatement Disclosures* establishes financial reporting standards for tax abatement agreements entered into by State and Local governments. Note disclosures have been developed according to these reporting standards and can be found under Note 15 Tax Abatements. The State also implemented the following three new standards in 2017 that had no impact on the June 30, 2017 financial statements. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions. Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, establishes accounting and financial reporting standards for benefit plans that meet specific criteria. The State does not have any pension plans at this time that meet those criteria. Statement No. 80, *Blending Requirements for Certain Component Units*, clarifies financial statement presentation requirements for component units that are organized as not-for-profit corporations in which the government is the sole corporate member. The State does not have any component units at this time that meet the criteria. Statement No. 82, *Pension Issues*, improves consistency in the application of pension accounting and financial reporting requirement by addressing certain issues that were raised with the implementation of Statements No. 67 *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions* and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provision of GASB Statement 67 and 68*. The State has reviewed and implemented the requirements of this statement that apply to the pension plans reported in the State's financial statements.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2017 along with an analysis of the State's capital assets and long-term debt related to capital assets.

## FINANCIAL HIGHLIGHTS

### Government-wide:

The assets and deferred outflows of the State exceeded its liabilities and deferred inflows at June 30, 2017 by \$12.7 billion (presented as "net position" in the CAFR). The majority of the net position is represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net position, unrestricted net position was reported as \$0.6 billion, most of which is available to be used to fund future needs of the State. The primary government's net expenses exceeded net general revenues, contributions and transfers for 2017 resulting in a decrease in net position of \$143 million. This decrease in net position follows a decrease in 2016 of \$13 million.

### Fund Level:

General Fund revenues for 2017 were \$301 million below the original budgeted amount and below the final budget by \$34 million. Expenditures were \$393 million less than the original budgeted amount and below the final budget by \$253 million. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$164 million deficiency in revenues prior to a legislatively mandated property tax relief transfer of \$202 million in addition to other financing sources causing a decrease in fund balances of \$378 million, and thereby decreasing the fund balance on June 30, 2017 to \$750 million. Other governmental funds revenues exceeded expenditures by \$54 million, chiefly due to market changes. In addition to these operating changes, other governmental funds received \$57 million in net other financing sources. This \$111 million net increase resulted in raising such fund balances at June 30, 2017 to \$2,810 million.

The \$500 million of net position of the Unemployment Insurance Fund represents 85% of the enterprise funds. Such fund had a \$12 million increase in net position for 2017 compared to a \$24 million increase in 2016, a decrease in growth of \$12 million. Business assessment fees collected from employers exceeded the unemployment insurance claims in 2017. Business assessment fees from employers, net of unemployment insurance claims was down 74.5% from 2016.

### **Long-term Liabilities:**

Long-term liabilities shown on the government-wide financial statements totaled \$949 million at June 30, 2017, which is a \$136 million increase from the prior year, primarily due to an increase in net accrued pension liability. The remaining liabilities consist of claims payable for workers' compensation, medical excess liability, capital lease obligations, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due to employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post-employment benefits, except for a very small number of employees.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

### **Government-wide Financial Statements**

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* (page 31) presents all the State's assets and liabilities with the difference between the two reported as "net position." Changes in net position over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 32 and 33) presents information showing how the State's net position changed during the reported year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Trust Funds, are not included in the government-wide financial statements.

#### ***Primary Government***

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent 95% of all activity of the primary government. It includes general government; education; health and social services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant

portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

### ***Component Units***

**DISCRETELY PRESENTED COMPONENT UNITS** – These are separate entities for which the State has financial accountability (in which the State provides over one-fifth of their funding) but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State's only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

## **Fund Financial Statements**

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State's operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 34) provide detailed information about the State's major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State's funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

***Governmental Funds Financial Statements*** – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds financial statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State's finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State's near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the government-wide financial statements and the governmental funds financial statements (see pages 35 and 37).

The State of Nebraska's governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

***Proprietary Funds Financial Statements*** – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net position reported in these statements as Enterprise Funds will be identical to the net position reported in the net position for business-type activities in the government-wide financial statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

***Fiduciary Funds Financial Statements*** – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent



discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Trust Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 13 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and contributions from State participants received by the College Savings Plan. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions and retirement contributions held by the State for Omaha School Employees Retirement Systems.

## **Component Units Financial Statements**

As mentioned in the discussion of the government-wide financial statements, the State has included the net position and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate component unit statements to allow the reader to analyze each of these two units separately beginning on page 44.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 46.

## **Required Supplementary Information**

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes a budgetary comparison schedule that reconciles the statutory fund balance used for budgetary purposes to the fund balance determined by GAAP used in the Fund Financial Statements. Other information included are the condition and maintenance data regarding certain aspects of the State's infrastructure, and certain pension plan actuarial information.

## **Other Supplementary Information**

Other supplementary information includes the budgetary comparison schedules for Cash Funds, Construction Funds, Federal Funds and Revolving Funds. This section also includes combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

## **FINANCIAL ANALYSIS OF THE STATE AS A WHOLE**

### **Net Position**

The State's assets and deferred outflows of resources totaled \$15,241 million at June 30, 2017 as compared to \$15,133 million at June 30, 2016, as restated. As total liabilities and deferred inflows of resources only totaled \$2,504 million, net position amounted to \$12,737 million as of June 30, 2017. As of June 30, 2016, these amounts were \$2,253 million and \$12,880 million, respectively, as restated. By far the largest portion of the State of Nebraska's net position (70 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

Restricted net position is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. It is also not available for future general government spending.

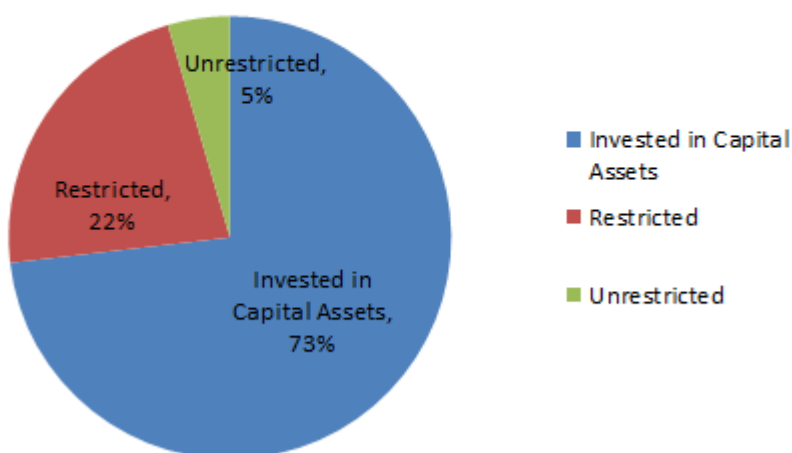
For Governmental Activities other than capital assets, the majority of the restricted net position consists of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

The net position for business-type activities chiefly represents cash set aside for future unemployment insurance benefits.

**STATE OF NEBRASKA**  
**Net Position as of June 30**  
*(in millions of dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and Other						
Non-current Assets	\$ 5,326	\$ 5,450	\$ 679	\$ 644	\$ 6,005	\$ 6,094
Capital Assets	8,918	8,807	8	7	8,926	8,814
<b>Total Assets</b>	<b>14,244</b>	<b>14,257</b>	<b>687</b>	<b>651</b>	<b>14,931</b>	<b>14,908</b>
<b>Deferred Outflows of Resources</b>	<b>310</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>310</b>	<b>225</b>
Non-current Liabilities	910	788	39	25	949	813
Other Liabilities	1,330	1,225	59	41	1,389	1,266
<b>Total Liabilities</b>	<b>2,240</b>	<b>2,013</b>	<b>98</b>	<b>66</b>	<b>2,338</b>	<b>2,079</b>
<b>Deferred Inflows of Resources</b>	<b>166</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>166</b>	<b>174</b>
Net position:						
Net Investment in Capital Assets	8,889	8,773	8	7	8,897	8,780
Restricted	2,708	2,553	503	490	3,211	3,043
Unrestricted	551	969	78	88	629	1,057
<b>Total Net Position(as restated)</b>	<b>\$ 12,148</b>	<b>\$ 12,295</b>	<b>\$ 589</b>	<b>\$ 585</b>	<b>\$ 12,737</b>	<b>\$ 12,880</b>

**Governmental Activities Net  
Position - Total 12,148 million**



Approximately 72% of the State's non-capital assets consist of cash and investments. It should be noted that \$40 million in 2017 and \$95 million in 2016 of such assets represent "Securities Lending Collateral," an amount established in accordance with GASB guidelines to record a lending transaction. Since the asset is offset by a corresponding equal liability, the effect on net position is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 21% of the non-capital assets.

Liabilities largely reflect three groupings which represent 96% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payable and accrued liabilities totaling \$844 million in 2017 (\$684 million in 2016); tax refunds payable of \$420 million (\$399 million in 2016); and long-term payables, discussed in the following paragraph.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Position presents few long-term liabilities (shown as noncurrent liabilities), which total \$949 million in 2017 (\$813 million in 2016). Such liabilities include claims payable for workers' compensation, medical excess liability, capital lease obligations, unemployment insurance, and employee health insurance totaling \$111 million in 2017 (\$99 million in 2016), Medicaid claims for \$227 million in 2017 (\$209 million in 2016), the State's liability for pension funds of \$450 million in 2017 (\$337 million in 2016), and the calculated amount for vested sick leave due to employees when they retire and accrued vacation of \$132 million in 2017 (\$132 million for 2016). Another minor amount of long-term liabilities consists of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$29 million at June 30, 2017, compared to \$35 million at June 30, 2016.

The \$147 million decrease in net position of Governmental Activities for 2017, was due to a \$116 million increase in the net investment in capital assets, a \$155 million increase in restricted net position, and a \$418 million decrease in unrestricted net position. Additionally, there was a \$7 million decrease in taxes collected.

At the end of June 30, 2017, the State reported a positive balance in all of the three categories of net position.

## **Changes in Net Position**

The condensed financial information on the following page was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the year. Following that table is management's analysis of the changes in net position for 2017, analyzing both the governmental activities and the business-type activities.

# STATE OF NEBRASKA

## CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 639	\$ 617	\$ 282	\$ 295	\$ 921	\$ 912
Operating Grants and Contributions	2,766	2,719	-	-	2,766	2,719
Capital Grants and Contributions	1	-	-	-	1	-
General Revenues						
Taxes	4,954	4,961	-	-	4,954	4,961
Unrestricted Investment Earnings	109	145	11	16	120	161
Miscellaneous	4	2	-	-	4	2
<b>Total Revenues</b>	<b>8,473</b>	<b>8,444</b>	<b>293</b>	<b>311</b>	<b>8,766</b>	<b>8,755</b>
<b>EXPENSES</b>						
General Government	650	630	-	-	650	630
Conservation of Natural Resources	146	144	-	-	146	144
Culture - Recreation	38	36	-	-	38	36
Economic Development and Assistance	102	100	-	-	102	100
Education	1,811	1,800	-	-	1,811	1,800
Higher Education - Colleges and Universities	664	676	-	-	664	676
Health and Social Services	3,616	3,476	-	-	3,616	3,476
Public Safety	396	399	-	-	396	399
Regulation of Business and Professions	116	118	-	-	116	118
Transportation	1,041	1,096	-	-	1,041	1,096
Interest on Long-term Debt	1	-	-	-	1	-
Net Pension Expense	82	80	-	-	82	80
Unemployment Insurance	-	-	76	79	76	79
Lottery	-	-	132	136	132	136
Excess Liability	-	-	21	9	21	9
Cornhusker State Industries	-	-	17	14	17	14
<b>Total Expenses</b>	<b>8,663</b>	<b>8,555</b>	<b>246</b>	<b>238</b>	<b>8,909</b>	<b>8,793</b>
Excess/(Deficiency) Before Transfers and Contributions: Permanent Fund Principal	(190)	(111)	47	73	(143)	(38)
Net Transfers In (Out)	44	49	(43)	(49)	1	-
Contributions: Permanent Fund Principal	(1)	25	-	-	(1)	25
<b>Increase/(Decrease) in Net Position</b>	<b>(147)</b>	<b>(37)</b>	<b>4</b>	<b>24</b>	<b>(143)</b>	<b>(13)</b>
<b>Net Position - Beginning</b> (as restated)	<b>12,295</b>	<b>12,332</b>	<b>585</b>	<b>561</b>	<b>12,880</b>	<b>12,893</b>
<b>Net Position - Ending</b>	<b>\$ 12,148</b>	<b>\$ 12,295</b>	<b>\$ 589</b>	<b>\$ 585</b>	<b>\$ 12,737</b>	<b>\$ 12,880</b>

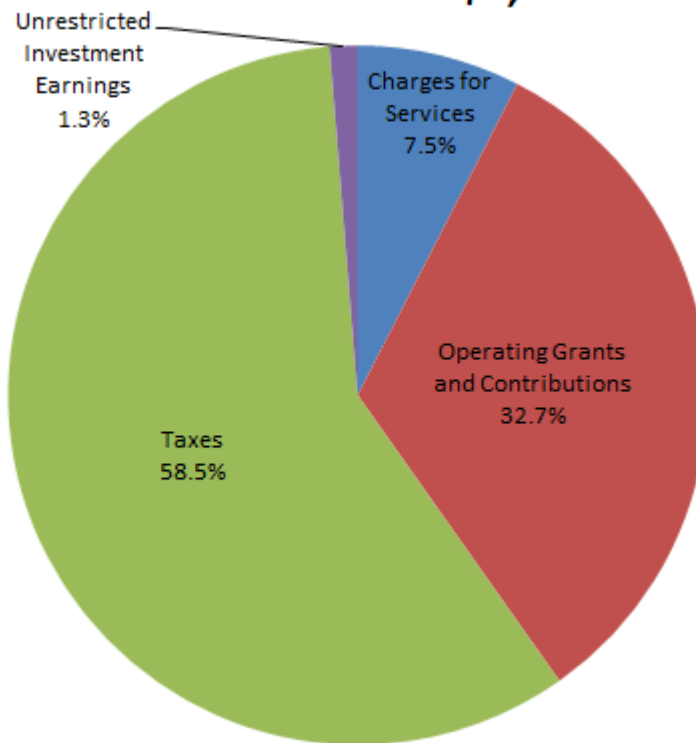
### Governmental Activities

Governmental activities decreased the State's net position by \$147 million in 2017 (\$37 million decrease in 2016) and represent 97% of all primary government revenues. Program revenues from governmental activities were \$3,406 million and were used to partially offset program expenses of \$8,663 million, leaving net expenses of \$5,257 million. Only 8% of total expenses were incurred for general government services. General revenues from taxes, investment earnings, and miscellaneous sources, plus contributions to the permanent fund principal, and transfers, totaling \$5,110 million, were \$147 million less than the remaining costs of the governmental activities' programs as shown below.

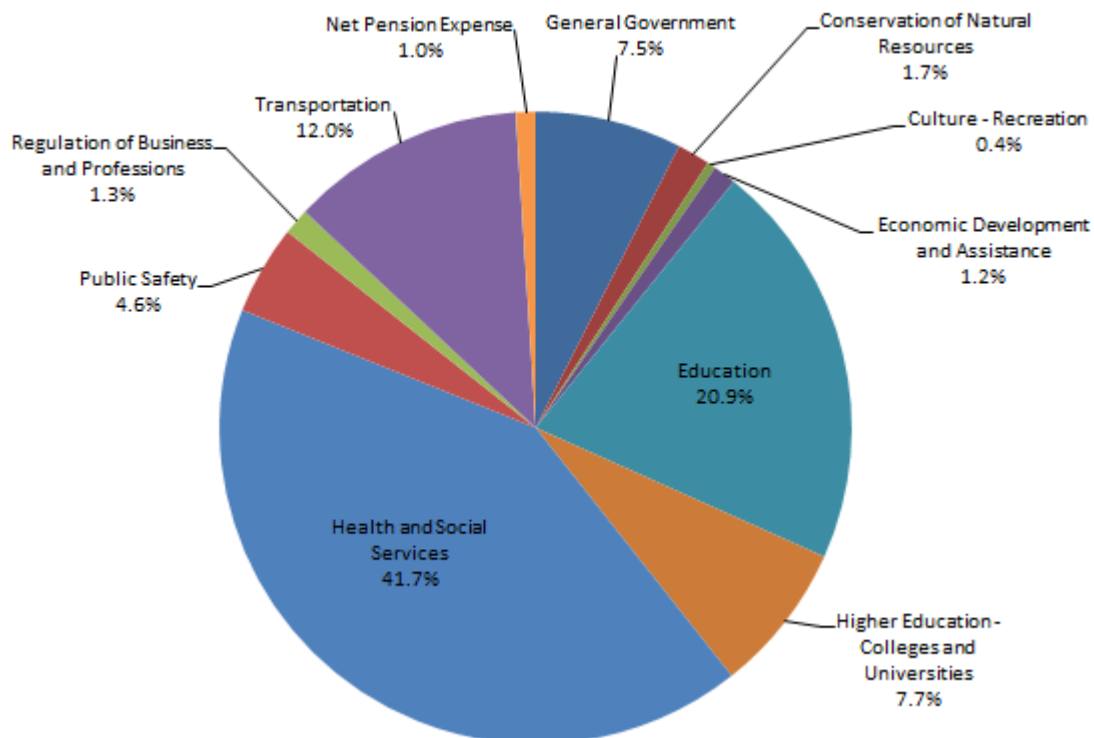
Tax revenues were down \$7 million, from 2016, compared to a decrease of \$15 million in 2016 over 2015. Program revenues increased 2% from 2016, chiefly due to income from operating grants being up \$47 million. Increases in general government, education and health and social services expenses contributed to the \$108 million increase in program expenses. The change in Net Position decreased \$110 million from 2016 to 2017 compared to the \$348 million decrease from 2015 to 2016. Although the General Fund holds more investments than other programs and maintains safer investments, it showed a decrease in investment income in 2017 from 2016 of \$72 million due to the changes in the market value of the underlying investments.

**STATE OF NEBRASKA**  
**Governmental Activities**  
As of June 30, 2017

**Revenues - Total \$8,473**



**Expenses - Total \$8,663 million**



Four functional areas of the State comprise 82% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Education expenses were up \$11 million, Health and Social Services was up \$140 million, Higher Education was down \$12 million, and Transportation expenses were down \$55 million. All the other functional areas had small variances in net expenses.

Program expenses, net of revenue, increased by \$38 million in 2017, over 2016, as shown below:

<b>GOVERNMENTAL ACTIVITIES</b>		
<i>(in millions of dollars)</i>		
	<b>2017</b>	<b>2016</b>
<b>Program Expenses, Net of Revenue</b>		
General Government	\$ (547)	\$ (517)
Conservation of Natural Resources	(47)	(46)
Culture - Recreation	(6)	(7)
Economic Development and Assistance	(50)	(48)
Education	(1,400)	(1,375)
Higher Education - Colleges and University	(664)	(677)
Health and Social Services	(1,597)	(1,579)
Public Safety	(299)	(291)
Regulation of Business and Professions	14	14
Transportation	(578)	(613)
Interest on Long-Term Debt	(1)	-
Net Pension Expense	(82)	(80)
<b>Subtotal</b>	<b>(5,257)</b>	<b>(5,219)</b>
<b>General Revenues</b>		
Taxes	4,954	4,961
Unrestricted Investment Earnings	109	145
Miscellaneous	4	2
<b>Transfers</b>	<b>44</b>	<b>49</b>
<b>Contributions: Permanent Fund Principal</b>	<b>(1)</b>	<b>25</b>
<b>Increase(Decrease) in Net Position(as restated)</b>	<b>\$ (147)</b>	<b>\$ (37)</b>

## Business-type Activities

The business-type activities increased the State's net position by \$3 million for 2017, which was net of a \$44 million transfer to governmental activities. Most of the \$282 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of \$6 million in 2017. This gain, when combined with transfers and \$9 million in investment income, produced a \$12 million increase in net position for the Unemployment Insurance Fund. Lottery revenues of \$174 million generated operating income of \$41 million, which was offset by a \$41 million transfer to Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. At June 30, 2017, the State's Governmental Funds reported combined ending fund balances of \$3,560 million. Of this amount, \$578 million is nonspendable, either due to its form or legal constraints, and \$2,120 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional \$752 million of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$43 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining \$67 million is unassigned and available for appropriations.

#### ***General Fund***

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$407 million. However, such refunds payable are \$23 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$767 million.

On June 30, 2016, the General Fund had a positive fund balance of \$1,128 million. For 2017, expenditures increased \$99 million from 2016 and revenues decreased by \$89 million. The revenues were \$366 million less than expenditures for 2017 while revenues were \$178 million less than expenditures in 2016. The General Fund balance in 2017 decreased by \$378 million, after adjusting for transfers in and out of the General Fund, ending with a fund balance of \$750 million on June 30, 2017.

Revenues began decreasing during mid 2017 finishing \$89 million down from 2016. This decrease was chiefly due to a decrease in income tax revenue of \$12 million (a 0.46% decrease) from 2016, an increase in sales and use tax revenue of \$4 million (a 0.27% increase) over 2016, and decreases in business and franchise taxes of \$10 million (an 11% decrease) and investment income of \$72 million (a 120% decrease) from 2016. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. A net increase in expenditures was caused chiefly in four areas. Education expenditures increased \$19 million due to increased aid and Higher Education – Colleges and University expenditures increased \$11 million due to increased payroll costs. Health and Social Services expenditures increased \$62 million due to increased aid; General Government expenditures increased \$11 million mainly due to an increase in payments for property tax credits.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2017.

The Cash Reserve Fund balance was \$728 million at the beginning of 2016. In 2016, there was a net statutory transfer to the Fund from the General Fund of \$85 million and other net transfers out of \$82 million, leaving a Cash Reserve Fund balance at June 30, 2016 of \$731 million. In 2017, there were other transfers out of \$50 million leaving a Fund balance of \$681 million at June 30, 2017. The Cash Reserve Fund is reflected as committed to economic stabilization on the governmental funds balance sheet.

## ***Other Governmental Funds***

Other governmental fund balances totaled \$2,810 million at June 30, 2017. Of this amount, \$576 million is nonspendable, either due to its form or legal constraints, and \$2,120 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$71 million of total fund balance has been committed to specific purposes. The remaining \$43 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$814 million. The non-major special revenue fund balances totaled \$1,030 million.

Governmental funds other than the General Fund saw an increase in fund balances of \$111 million. The fund balances of the following funds increased: the Permanent School Fund (\$48 million), the Health and Social Service Fund (\$32 million), the Highway Fund (\$43 million) and Federal Fund (\$1 million). The fund balance of other Nonmajor Funds decreased (\$12 million).

The Highway Fund had a \$12 million increase in Licenses, Fees and Permits, \$23 million decrease in federal grants revenue and a \$51 million decrease in operating expenses. These changes are mainly why the Highway Fund had a \$43 million increase in its fund balance in 2017 as opposed to a \$55 million decrease in 2016.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2017, there was an increase in federal grants and contracts revenue of \$106 million and investment income decreased \$4 million. Expenditures in 2017 decreased by \$15 million for Education, increased \$6 million for Conservation of Natural Resources, increased \$2 million for Economic Development and Assistance, increased \$112 million for Health and Social Services, and decreased \$21 million for Public Safety. Revenues exceeded expenditures by \$17 million before transfers. Transfers out increased \$4 million in 2017 compared to a decrease of \$14 million in 2016. At the end of 2017 there was a slight increase in the fund, similar to the increase in 2016.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services and some tax revenue, among other income. The funds had a \$41 million increase in investment income in 2017 (chiefly due to changes in the market value of investments) compared to an \$8 million decrease in 2016. There was a \$32 million increase in fund balance in 2017, as opposed to an \$8 million decrease in 2016.

The Permanent School Fund had a \$17 million increase in revenue, chiefly due to a \$45 million increase in investment income caused by changes in the market value of investments in 2017, compared to a \$3 million investment income increase in 2016 (when compared to 2015). There was a \$48 million increase in fund balance in 2017, as opposed to a \$30 million increase in 2016, a change of \$18 million.

The Nonmajor Funds revenues decreased \$62 million compared to 2016. Expenditures decreased \$5 million in Conservation of Natural Resources, \$23 million in Higher Education, and \$27 million in Transportation. Regulation of Business and Professions decreased \$1 million. There were \$26 million in net transfers in for the Nonmajor Funds in 2017 versus \$111 million in net transfers in for 2016. As a result, the fund balances decreased \$12 million in 2017 as opposed to a \$95 million increase in 2016.

## **Proprietary Funds**

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, reported net position of \$500 million at the end of 2017. This fund's net position increased \$12 million in 2017, because business assessment fees exceeded unemployment claims paid out by \$4 million, investment earnings of \$9 million and other changes. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an operation



that utilizes incarcerated persons to manufacture and sell items) had combined income of \$33 million prior to a \$41 million transfer from the Lottery's net income to governmental funds. Such transfer was used primarily for education and environmental studies. The Excess Liability Fund had an operating loss of \$16 million and earned \$2 million in investment earnings for a net position decrease of \$14 million.

## Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net position increased \$1,435 million to \$14,366 million in 2017 mainly due to an increase in the fair value of investments in 2017. Interest and dividend income in 2017 was \$171 million versus \$162 million in 2016. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$191 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$380 million. The total net position in the College Savings Plan now totals over four billion dollars.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2017 the State continued to rebound from the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to increase in 2017 by \$266 million over 2016 net tax revenue of \$4,182 million. Because revenues continued to show a decreasing trend during 2017, the State's Forecasting Board made two new forecasts throughout the year. At the end, the forecasted net tax revenues were \$267 million below the original forecast. However, that decreased forecast was still more than actual tax revenues of \$4,147 million by \$34 million, leaving the State with actual tax revenues, net of refunds, of \$301 million below the original budget on a budgetary basis. Agencies continued to watch their General Fund expenditures and spent \$253 million less than the final appropriated amount. This reduction, when coupled with the decrease in tax revenues, caused the State to finish 2017 with General Fund revenues of \$121 million less than expenditures on a budgetary basis, prior to net transfers out. There was a net \$213 million transferred out for specific purposes. The fund balance on a budgetary basis decreased from \$1,261 million at the beginning of the fiscal year to \$927 million at June 30, 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2017, the State had invested \$8.9 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Position and summarized in the table below. Depreciation expense for 2017 totaled \$54 million, compared to \$50 million for 2016.

<b>CAPITAL ASSETS AS OF JUNE 30</b>						
<i>(net of depreciation in millions of dollars)</i>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 595	\$ 585	\$ -	\$ -	\$ 595	\$ 585
Buildings and Equipment	498	483	8	7	506	490
Infrastructure	7,561	7,458	-	-	7,561	7,458
<b>Subtotal</b>	<b>8,654</b>	<b>8,526</b>	<b>8</b>	<b>7</b>	<b>8,662</b>	<b>8,533</b>
Construction in Progress	264	266	-	-	264	266
<b>Total</b>	<b>\$ 8,918</b>	<b>\$ 8,792</b>	<b>\$ 8</b>	<b>\$ 7</b>	<b>\$ 8,926</b>	<b>\$ 8,799</b>

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative method, referred to as the modified approach. Under this method, the State expenses certain maintenance and preservation costs and does not record any depreciation

expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State’s goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2016, indicated an overall system rating of 84, a rating that has been very consistent over the past seven years.

For 2017, it was estimated that the State needed to spend \$317 million to preserve and maintain the roads at the above-mentioned level. The State actually spent \$413 million on roads in 2017, compared to \$441 million in 2016. For 2018, it is estimated that the State needs to spend \$325 million, a decrease from actual 2017 and a decrease from the average of the previous five years.

The State also spent \$107 million on capitalized infrastructure and land purchases relating to roads in 2017 (\$133 million in 2016), most notably reconstructing (a) Highway 75, Plattsmouth to Bellevue, (b) Highway 77, South Interchange Lincoln, (c) I-80, NW 48<sup>th</sup> St, Bridges, and (d) I-80, NW 56<sup>th</sup> St, Bridge. Major land purchases included land purchased near six State highways. At June 30, 2017, the State had contractual commitments of \$761 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the financial statements.)

During 2017, the State added \$61 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 4 to the financial statements.

**Long-Term Debt**

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 14 to the financial statements.

**CERTAIN LONG-TERM DEBT AS OF JUNE 30**  
**(in millions of dollars)**

	GOVERNMENTAL ACTIVITIES	
	2017	2016
Capitalized Leases:	\$ 29	\$ 35

There were no new bonds issued or outstanding in 2017 or 2016. One new capitalized lease was added in 2017 (three leases were added in 2016). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa2 rating from Moody’s. Standard and Poor’s has issued an AAA rating for the State as a whole.

## **FACTORS THAT WILL AFFECT THE FUTURE**

Although state and national economies continue to improve, General Fund tax revenues for fiscal year 2017 decreased .45% from 2016 and fell short of projections. Improvement is forecasted for fiscal year 2018, with tax revenues projected to exceed actual 2017 revenues by \$239 million, or 5.6%, on a nominal basis. The State has a low unemployment rate and its debt and pension burdens are among the lowest of all states.

The State does face a number of challenges in the coming years. National healthcare policy, including the potential for increased participation in the Medicaid program and the ongoing increase in healthcare costs present challenges to the State. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. There is also a need for continuous monitoring of the school finance formula to ensure sustainable growth in aid to education for K-12 schools, easily the largest General Fund financial commitment annually.

As previously explained, the State maintains a Cash Reserve Fund to help offset any future economic downturns. As of June 30, 2017, this Fund had a \$681 million balance. By operation of law, any General Fund revenue at the end of a fiscal year which is in excess of the official certified forecast is used to build the Cash Reserve Fund. No such transfer will be made in July 2017. However, other transfers since the end of the last fiscal year have resulted in a Cash Reserve Fund balance of \$544 million at November 30, 2017. Future significant statutory disbursements from this fund include transfers of \$111 million to the General Fund and \$63 million to the Nebraska Capital Construction Fund.

## **CONTACTING THE STATE ACCOUNTING OFFICE**

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, 1526 K Street, Suite 240, Lincoln, NE 68508, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units or by going online to their websites. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2111 or online at <http://www.nebraska.edu/administration/business-and-finance/accounting-and-finance.html>. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, Box 94605, Lincoln, NE 68509-4605, (402) 471-2505 or online at <http://www.nscs.edu/>.

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## BASIC FINANCIAL STATEMENTS

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State of Nebraska  
**STATEMENT OF NET POSITION**  
June 30, 2017

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 197,949	\$ 477,366	\$ 675,315	\$ 694,355
Receivables, net of allowance				
Taxes	491,716	-	491,716	-
Due from Federal Government	334,492	-	334,492	-
Other	362,867	59,232	422,099	428,242
Internal Balances	(1,223)	1,223	-	-
Investments	3,472,160	133,809	3,605,969	2,263,207
Loans Receivable	353,881	-	353,881	35,231
Investment in Joint Venture	-	-	-	415,573
Net Pension Asset	45,632	-	45,632	-
Other Assets	26,985	3,492	30,477	30,803
Restricted Assets:				
Cash and Cash Equivalents	2,749	-	2,749	596,042
Other	-	2,411	2,411	14,508
Securities Lending Collateral	39,094	1,103	40,197	-
Capital assets:				
Land	595,186	315	595,501	140,004
Infrastructure	7,561,195	-	7,561,195	-
Construction in Progress	264,144	-	264,144	279,863
Land Improvements	-	-	-	296,647
Buildings and Equipment	1,236,018	15,184	1,251,202	3,568,985
Less Accumulated Depreciation	(738,388)	(7,817)	(746,205)	(1,244,085)
Total Capital Assets	8,918,155	7,682	8,925,837	3,041,414
Total Assets	<u>\$ 14,244,457</u>	<u>\$ 686,318</u>	<u>\$ 14,930,775</u>	<u>\$ 7,519,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow related to pensions	\$ 310,291	\$ -	\$ 310,291	\$ -
Deferred loss on bond refunding	-	-	-	16,721
Total Deferred Outflows of Resources	<u>\$ 310,291</u>	<u>\$ -</u>	<u>\$ 310,291</u>	<u>\$ 16,721</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 790,216	\$ 54,072	\$ 844,288	\$ 212,829
Tax Refunds Payable	419,953	-	419,953	-
Deposits	15,765	-	15,765	15,450
Unearned Revenue	65,314	3,172	68,486	142,747
Obligations under Securities Lending	39,093	1,103	40,196	-
Noncurrent Liabilities:				
Due within one year	274,385	12,065	286,450	162,862
Due in more than one year	185,949	27,393	213,342	972,119
Net Pension Liability	449,784	-	449,784	-
Total Liabilities	<u>\$ 2,240,459</u>	<u>\$ 97,805</u>	<u>\$ 2,338,264</u>	<u>\$ 1,506,007</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow related to pensions	\$ 166,305	\$ -	\$ 166,305	\$ -
Deferred service concession arrangement receipts	-	-	-	19,520
Total Deferred Inflows of Resources	<u>\$ 166,305</u>	<u>\$ -</u>	<u>\$ 166,305</u>	<u>\$ 19,520</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 8,888,705	\$ 7,682	\$ 8,896,387	\$ 2,327,603
Restricted for:				
Education	23,266	-	23,266	2,186,305
Health and Social Services	575,007	-	575,007	-
Conservation of Natural Resources	651,397	-	651,397	-
Transportation	256,894	-	256,894	-
Licensing and Regulation	114,099	-	114,099	-
Other Purposes	195,467	2,411	197,878	338,950
Unemployment Insurance Benefits	-	500,235	500,235	-
Debt Service and Construction	-	-	-	364,223
Permanent Trusts:				
Nonexpendable	570,450	-	570,450	-
Expendable	322,175	-	322,175	-
Unrestricted	550,525	78,185	628,710	793,488
Total Net Position	<u>\$ 12,147,985</u>	<u>\$ 588,513</u>	<u>\$ 12,736,498</u>	<u>\$ 6,010,569</u>

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

(Dollars in Thousands)

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 650,253	\$ 99,001	\$ 4,256	\$ -
Conservation of Natural Resources	145,919	39,880	58,409	1,018
Culture – Recreation	37,513	28,569	3,335	-
Economic Development and Assistance	102,348	1,234	51,163	-
Education	1,811,058	50,208	360,855	-
Higher Education - Colleges and University	663,979	-	-	-
Health and Social Services	3,616,020	127,310	1,890,658	-
Public Safety	395,782	38,369	58,535	49
Regulation of Business and Professions	116,590	128,818	2,070	-
Transportation	1,040,906	125,831	336,576	-
Interest on Long-term Debt	559	-	-	-
Net Pension Expense	81,603	-	-	-
Total governmental activities	8,662,530	639,220	2,765,857	1,067
Business-type activities:				
Unemployment Insurance	75,593	81,154	-	-
Lottery	132,417	173,819	-	-
Excess Liability	21,131	5,319	-	-
Cornhusker State Industries	17,018	21,633	-	-
Total business-type activities	246,159	281,925	-	-
Total Primary Government	\$ 8,908,689	\$ 921,145	\$ 2,765,857	\$ 1,067
COMPONENT UNITS:				
University of Nebraska	\$ 2,058,282	\$ 837,614	\$ 436,264	\$ (1,307)
State Colleges	126,057	49,460	14,547	2,094
Total Component Units	\$ 2,184,339	\$ 887,074	\$ 450,811	\$ 787

General revenues:

- Income Taxes
- Sales and Use Taxes
- Petroleum Taxes
- Excise Taxes
- Business and Franchise Taxes
- Other Taxes
- Unrestricted Investment earnings
- Miscellaneous
- Payments from the State of Nebraska
- Contributions: Permanent Fund Principal
- Transfers
- Total General Revenues, Contributions and Transfers
- Change in Net Position
- Net Position - Beginning (as restated)
- Net Position - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (546,996)	\$ -	\$ (546,996)	\$ -
(46,612)	-	(46,612)	-
(5,609)	-	(5,609)	-
(49,951)	-	(49,951)	-
(1,399,995)	-	(1,399,995)	-
(663,979)	-	(663,979)	-
(1,598,052)	-	(1,598,052)	-
(298,829)	-	(298,829)	-
14,298	-	14,298	-
(578,499)	-	(578,499)	-
(559)	-	(559)	-
(81,603)	-	(81,603)	-
(5,256,386)	-	(5,256,386)	-
-	5,561	5,561	-
-	41,402	41,402	-
-	(15,812)	(15,812)	-
-	4,615	4,615	-
-	35,766	35,766	-
\$ (5,256,386)	\$ 35,766	\$ (5,220,620)	\$ -
\$ -	\$ -	\$ -	\$ (785,711)
-	-	-	(59,956)
\$ -	\$ -	\$ -	\$ (845,667)
2,507,059	-	2,507,059	-
1,834,043	-	1,834,043	-
371,744	-	371,744	-
132,308	-	132,308	-
100,595	-	100,595	-
8,271	-	8,271	-
108,912	11,254	120,166	80,945
3,733	44	3,777	430,945
-	-	-	663,979
(868)	-	(868)	-
43,590	(43,590)	-	-
5,109,387	(32,292)	5,077,095	1,175,869
(146,999)	3,474	(143,525)	330,202
12,294,984	585,039	12,880,023	5,680,367
\$ 12,147,985	\$ 588,513	\$ 12,736,498	\$ 6,010,569

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

# BALANCE SHEET

## GOVERNMENTAL FUNDS

June 30, 2017

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>Assets</b>							
Assets:							
Cash and Cash Equivalents	\$ 37,391	\$ 8,435	\$ 1,769	\$ 3,268	\$ 1,461	\$ 34,391	\$ 86,715
Cash on Deposit with Fiscal Agents	-	-	-	-	-	2,749	2,749
Investments	932,402	244,098	52,141	547,358	872,658	823,503	3,472,160
Securities Lending Collateral	15,911	4,165	809	3,589	1,753	12,867	39,094
Receivables, net of allowance							
Taxes	430,673	60,212	-	-	-	831	491,716
Due from Federal Government	2	32,685	300,495	-	-	1,310	334,492
Loans	-	-	13,940	179	-	339,762	353,881
Other	43,878	11,163	46,031	33,955	194,115	30,910	360,052
Due from Other Funds	57,060	145	160	3,155	-	3,080	63,600
Inventories	1,655	3,076	315	115	-	1,541	6,702
Prepaid Items	584	-	4	-	-	86	674
Other	570	-	-	-	13,583	3,368	17,521
Total Assets	\$ 1,520,126	\$ 363,979	\$ 415,664	\$ 591,619	\$ 1,083,570	\$ 1,254,398	\$ 5,229,356
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 138,350	\$ 91,571	\$ 181,429	\$ 12,796	\$ 240,893	\$ 61,770	\$ 726,809
Tax Refunds Payable	407,402	12,550	-	-	-	1	419,953
Deposits	571	1,591	9,497	165	223	3,718	15,765
Due to Other Funds	53,697	2,431	64,520	273	8	9,892	130,821
Obligations under Securities Lending	15,911	4,165	809	3,589	1,753	12,866	39,093
Claims Payable	111,668	-	102,323	-	-	-	213,991
Unearned Revenue	2,699	-	51,272	37	10,819	-	64,827
Total Liabilities	730,298	112,308	409,850	16,860	253,696	88,247	1,611,259
Deferred Inflows of Resources:							
Revenues not yet available	39,491	-	-	18,297	-	-	57,788
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	2,239	3,076	319	115	-	1,627	7,376
Endowment Principal	-	-	-	-	550,935	19,515	570,450
Restricted	-	248,595	5,495	555,782	278,939	1,031,197	2,120,008
Committed	680,655	-	-	-	-	71,320	751,975
Assigned	-	-	-	565	-	42,492	43,057
Unassigned	67,443	-	-	-	-	-	67,443
Total Fund Balances	750,337	251,671	5,814	556,462	829,874	1,166,151	3,560,309
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,520,126	\$ 363,979	\$ 415,664	\$ 591,619	\$ 1,083,570	\$ 1,254,398	\$ 5,229,356

The accompanying notes are an integral part of the financial statements.



State of Nebraska

## RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

(Dollars in Thousands)

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>3,560,309</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	595,186	
Infrastructure	7,561,195	
Construction in progress	264,144	
Other capital assets	1,130,622	
Accumulated depreciation	<u>(665,430)</u>	8,885,717

Certain tax revenues and charges are earned but not available and therefore are unearned in the funds.		57,788
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		45,360
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Deferred Inflows and Outflows related to Pension, they are not related to governmental funds. These Deferred Inflows & Outflows consist of:

Deferred Inflows related to Pension	(166,305)	
Deferred Outflows related to Pension	<u>310,291</u>	143,986

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital leases	(544)	
Compensated absences	(126,682)	
Net pension liability/asset	(404,152)	
Claims and judgments	<u>(13,797)</u>	<u>(545,175)</u>

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>12,147,985</u></b>
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## State of Nebraska

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES</b>							
Income Taxes	\$ 2,501,760	\$ -	\$ -	\$ 4,672	\$ -	\$ -	2,506,432
Sales and Use Taxes	1,531,137	283,590	-	-	-	20,141	1,834,868
Petroleum Taxes	-	357,868	-	-	1,941	13,876	373,685
Excise Taxes	67,600	-	-	10,714	-	53,994	132,308
Business and Franchise Taxes	73,356	-	-	-	-	27,239	100,595
Other Taxes	409	2,648	-	-	-	5,214	8,271
Federal Grants and Contracts	22	320,119	2,437,833	125	-	8,824	2,766,923
Licenses, Fees and Permits	19,014	102,448	648	57,138	880	161,630	341,758
Charges for Services	3,473	20,979	5,090	25,438	-	62,285	117,265
Investment Income	(12,148)	(1,378)	(370)	51,007	69,294	(31)	106,374
Rental Income	-	474	3	319	45,721	26,155	72,672
Surcharge	-	-	-	-	-	38,115	38,115
Other	5,184	4,192	3,871	15,371	(1,218)	23,259	50,659
Total Revenues	4,189,807	1,090,940	2,447,075	164,784	116,618	440,701	8,449,925
<b>EXPENDITURES</b>							
Current:							
General Government	555,125	-	1,416	-	-	71,801	628,342
Conservation of Natural Resources	34,505	-	37,464	-	-	74,845	146,814
Culture – Recreation	6,593	-	3,620	-	-	32,400	42,613
Economic Development and Assistance	15,127	-	53,550	-	-	33,946	102,623
Education	1,400,800	-	358,219	-	69,051	25,513	1,853,583
Higher Education - Colleges and University	645,662	-	-	-	-	18,317	663,979
Health and Social Services	1,604,057	-	1,899,313	133,262	-	19,181	3,655,813
Public Safety	290,905	-	57,758	-	-	49,427	398,090
Regulation of Business and Professions	3,441	-	2,093	-	-	111,448	116,982
Transportation	-	1,093,226	16,456	-	-	4,437	1,114,119
Capital Projects	-	-	-	-	-	37,527	37,527
Debt Service:							
Principal	-	-	-	-	-	2,025	2,025
Interest	-	-	-	-	-	6	6
Total Expenditures	4,556,215	1,093,226	2,429,889	133,262	69,051	480,873	8,762,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366,408)	(2,286)	17,186	31,522	47,567	(40,172)	(312,591)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	56,427	55,811	650	1,088	-	91,201	205,177
Transfers Out	(67,938)	(10,767)	(16,949)	(1,000)	-	(64,933)	(161,587)
Proceeds from Other Financing Arrangements	-	-	-	-	-	2,025	2,025
Proceeds from Capital Leases	170	-	-	-	-	-	170
Total Other Financing Sources (Uses)	(11,341)	45,044	(16,299)	88	-	28,293	45,785
Net Change in Fund Balances	(377,749)	42,758	887	31,610	47,567	(11,879)	(266,806)
<b>FUND BALANCES, JULY 1 (as restated)</b>	1,128,086	208,913	4,927	524,852	782,307	1,178,030	3,827,115
<b>FUND BALANCES, JUNE 30</b>	\$ 750,337	\$ 251,671	\$ 5,814	\$ 556,462	\$ 829,874	\$ 1,166,151	\$ 3,560,309

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

(Dollars in Thousands)

**Net change in fund balances—total governmental funds** **\$ (266,806)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	156,068	
Capital assets sold	(681)	
Depreciation expense	<u>(40,382)</u>	115,005

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Other financing arrangements	(2,025)	(2,025)
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Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:

Other financing arrangement payments	2,025	
Capital lease payments	<u>(85)</u>	1,940

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		(15,912)
--	--	----------

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred inflows of resources decreased by this amount this year.		(667)
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	248	
Decrease in net pension liability/asset	(72,894)	
Increase in deferred inflows related to pension	7,916	
Increase in deferred outflows related to pension	85,702	
Increase in claims and judgments	<u>494</u>	<u>21,466</u>

**Change in net position of governmental activities** **\$ (146,999)**

## State of Nebraska

# STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

June 30, 2017

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR	TOTALS	ACTIVITIES -
	INSURANCE	ENTERPRISE		INTERNAL
		FUNDS		SERVICE
				FUNDS
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 432,014	\$ 45,352	\$ 477,366	\$ 111,903
Receivables, net of allowance	17,638	41,594	59,232	2,693
Due from Other Funds	-	1,298	1,298	16,609
Inventories	-	3,065	3,065	479
Prepaid Items	-	68	68	1,609
Other	-	359	359	-
Total Current Assets	449,652	91,736	541,388	133,293
Noncurrent Assets:				
Restricted Long-Term Deposits	-	2,411	2,411	-
Long-Term Investments	59,495	74,314	133,809	-
Securities Lending Collateral	1,015	88	1,103	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	223	14,961	15,184	105,396
Less Accumulated Depreciation	(223)	(7,594)	(7,817)	(72,958)
Total Capital Assets	-	7,682	7,682	32,438
Total Noncurrent Assets	60,510	84,495	145,005	32,438
Total Assets	\$ 510,162	\$ 176,231	\$ 686,393	\$ 165,731
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 2,636	\$ 51,436	\$ 54,072	\$ 14,104
Due to Other Funds	-	75	75	461
Capital Lease Obligations	-	-	-	8,790
Claims, Judgments and Compensated Absences	6,276	5,789	12,065	40,078
Unearned Revenue	-	3,172	3,172	487
Total Current Liabilities	8,912	60,472	69,384	63,920
Noncurrent Liabilities:				
Capital Lease Obligations	-	-	-	20,115
Claims, Judgments and Compensated Absences	-	27,393	27,393	36,336
Obligations under Securities Lending	1,015	88	1,103	-
Total Noncurrent Liabilities	1,015	27,481	28,496	56,451
Total Liabilities	\$ 9,927	\$ 87,953	\$ 97,880	\$ 120,371
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	7,682	7,682	3,533
Restricted for:				
Lottery Prizes	-	2,411	2,411	-
Unemployment Insurance Benefits	500,235	-	500,235	-
Unrestricted	-	78,185	78,185	41,827
Total Net Position	\$ 500,235	\$ 88,278	\$ 588,513	\$ 45,360

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 79,963	\$ 200,771	\$ 280,734	\$ 375,925
Federal	704	-	704	-
Other	487	-	487	1,559
Total Operating Revenues	81,154	200,771	281,925	377,484
<b>OPERATING EXPENSES</b>				
Personal Services	-	6,815	6,815	39,109
Services and Supplies	8	40,759	40,767	127,887
Lottery Prizes	-	101,902	101,902	-
Unemployment Claims	75,585	-	75,585	-
Insurance Claims	-	20,553	20,553	214,584
Depreciation	-	537	537	13,768
Total Operating Expenses	75,593	170,566	246,159	395,348
Operating Income (Loss)	5,561	30,205	35,766	(17,864)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	8,928	2,326	11,254	2,538
Gain (Loss) on Sale of Capital Assets	-	44	44	(40)
Other	-	-	-	(546)
Total Nonoperating Revenues (Expenses)	8,928	2,370	11,298	1,952
Income (Loss) Before Transfers	14,489	32,575	47,064	(15,912)
Transfers Out	(2,312)	(41,278)	(43,590)	-
Change in Net Position	12,177	(8,703)	3,474	(15,912)
<b>NET POSITION, JULY 1 (as restated)</b>	488,058	96,981	585,039	61,272
<b>NET POSITION, JUNE 30</b>	<u>\$ 500,235</u>	<u>\$ 88,278</u>	<u>\$ 588,513</u>	<u>\$ 45,360</u>

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

# STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 83,971	\$ 181,365	\$ 265,336	\$ 25,364
Cash Received from Interfund Charges	-	19,730	19,730	374,192
Cash Received from Federal Government	704	-	704	-
Cash Paid to Employees	-	(6,752)	(6,752)	(38,698)
Cash Paid to Suppliers	(32)	(60,429)	(60,461)	(118,092)
Cash Paid for Lottery Prizes	-	(101,921)	(101,921)	-
Cash Paid for Insurance Claims	(75,637)	(5,728)	(81,365)	(218,552)
Cash Paid for Interfund Services	-	(969)	(969)	(10,710)
Net Cash Flows from Operating Activities	9,006	25,296	34,302	13,504
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(2,312)	(41,278)	(43,590)	-
Net Cash Flows from Noncapital Financing Activities	(2,312)	(41,278)	(43,590)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(1,349)	(1,349)	(9,139)
Proceeds from Sale of Capital Assets	-	44	44	2,986
Principal Paid on Capital Leases	-	-	-	(9,735)
Interest Paid on Capital Leases	-	-	-	(546)
Net Cash Flows from Capital and Related Financing Activities	-	(1,305)	(1,305)	(16,434)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(171,532)	(171,532)	-
Proceeds from Sale of Investment Securities	(3,115)	193,982	190,867	-
Interest and Dividend Income	8,921	2,111	11,032	2,616
Net Cash Flows from Investing Activities	5,806	24,561	30,367	2,616
Net Increase (Decrease) in Cash and Cash Equivalents	12,500	7,274	19,774	(314)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>419,514</b>	<b>38,078</b>	<b>457,592</b>	<b>112,217</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 432,014</b>	<b>\$ 45,352</b>	<b>\$ 477,366</b>	<b>\$ 111,903</b>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2017

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>FLOW FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 5,561	\$ 30,205	\$ 35,766	\$ (17,864)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	-	537	537	13,768
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	3,862	547	4,409	(1,003)
(Increase) Decrease in Due from Other Funds	-	(285)	(285)	23,194
(Increase) Decrease in Inventories	-	2,154	2,154	(12)
(Increase) Decrease in Prepaid Items	-	(58)	(58)	(102)
(Increase) Decrease in Long-Term Deposits	-	(3)	(3)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(348)	(22,659)	(23,007)	141
Increase (Decrease) in Due to Other Funds	-	(29)	(29)	(469)
Increase (Decrease) in Claims Payable	(69)	14,825	14,756	(3,968)
Increase (Decrease) in Unearned Revenue	-	62	62	(181)
Total Adjustments	3,445	(4,909)	(1,464)	31,368
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 9,006</b>	<b>\$ 25,296</b>	<b>\$ 34,302</b>	<b>\$ 13,504</b>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 4,320
Change in Fair Value of Investments	-	240	240	-
Total Noncash Transactions	\$ -	\$ 240	\$ 240	\$ 4,320

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

June 30, 2017

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,812	\$ 22,947	\$ 118,210
Investments:			
U.S. Treasury Notes and Bonds	394,926	-	19,127
U.S. Treasury Bills	2,610	-	-
Government Agency Securities	30,182	-	1,638
Corporate Bonds	744,433	-	36,623
International Bonds	199,865	-	10,062
Equity Securities	1,650,207	-	80,630
Private Equity	566,110	-	504,322
Options	33	-	3
Mortgages	627,859	-	30,325
Private Real Estate	859,032	-	41,897
Adr's, GDRs & Trust	4,314	-	186
Asset Backed Securities	157,167	-	7,911
Bank Loans	286,480	-	14,157
Municipal Bonds	8,249	-	329
Commingled Funds	8,851,184	4,194,694	389,216
Short Term Investments	276,020	-	67,155
Total Investments	14,658,671	4,194,694	1,203,581
Securities Lending Collateral	195,874	-	8,757
Receivables:			
Contributions	29,491	-	-
Interest and Dividends	17,171	718	1,712
Other	917,938	-	50,445
Total Receivables	964,600	718	52,157
Due from Other Funds	48,589	-	1,383
Capital Assets:			
Buildings and Equipment	6,592	-	-
Less Accumulated Depreciation	(6,590)	-	-
Total Capital Assets	2	-	-
Other Assets	-	18,423	-
<b>Total Assets</b>	<b>\$ 15,873,548</b>	<b>\$ 4,236,782</b>	<b>\$ 1,384,088</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 1,304,175	\$ 7,742	\$ 90,455
Due to Other Governments	6,897	-	70,482
Deposits	-	1,045	-
Due to Other Funds	112	10	-
Obligations under Securities Lending	195,874	-	8,757
Accrued Compensated Absences	430	-	-
Other Liabilities	-	-	1,214,394
<b>Total Liabilities</b>	<b>\$ 1,507,488</b>	<b>\$ 8,797</b>	<b>\$ 1,384,088</b>
<b>NET POSITION</b>			
Restricted for:			
Pensions	\$ 14,366,060	\$ -	\$ -
College Savings Plan	-	4,197,707	-
Other Purposes	-	30,278	-
<b>Total Net Position</b>	<b>\$ 14,366,060</b>	<b>\$ 4,227,985</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.



State of Nebraska

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS</b>		
Contributions:		
Participant Contributions	\$ 254,066	\$ 379,941
Client Contributions	-	1
State Contributions	128,951	-
Political Subdivision Contributions	184,903	-
Court Fees	3,579	-
Total Contributions	<u>571,499</u>	<u>379,942</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	1,507,977	278,885
Interest and Dividend Income	170,611	5,287
Securities Lending Income	3,462	-
Total Investment Income	<u>1,682,050</u>	<u>284,172</u>
Investment Expenses	45,711	18,936
Securities Lending Expenses	1,554	-
Total Investment Expense	<u>47,265</u>	<u>18,936</u>
Net Investment Income	<u>1,634,785</u>	<u>265,236</u>
Escheat Revenue	-	29,436
Other Additions	201	873
Total Additions	<u>2,206,485</u>	<u>675,487</u>
<b>DEDUCTIONS</b>		
Benefits	737,360	297,048
Refunds	18,979	-
Amounts Distributed to Outside Parties	-	15,657
Administrative Expenses	6,038	1,132
Other Deductions	8,644	-
Total Deductions	<u>771,021</u>	<u>313,837</u>
Change in Net Position Restricted for:		
Pensions	1,435,464	-
College Savings Plan	-	347,736
Other Purposes	-	13,914
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>12,930,596</u>	<u>3,866,335</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 14,366,060</u>	<u>\$ 4,227,985</u>

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

# STATEMENT OF NET POSITION

## COMPONENT UNITS

June 30, 2017

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 611,704	\$ 82,651	\$ 694,355
Receivables, net of allowance			
Loans	34,110	1,121	35,231
Other	424,484	3,758	428,242
Investments	2,224,466	38,741	2,263,207
Investment in Joint Venture	415,573	-	415,573
Other Assets	29,207	1,596	30,803
Restricted Assets:			
Cash and Cash Equivalents	568,269	27,773	596,042
Investments Held by Trustee	14,508	-	14,508
Capital assets:			
Land	138,737	1,267	140,004
Land Improvements	262,532	34,115	296,647
Construction in Progress	252,972	26,891	279,863
Buildings and Equipment	3,301,749	267,236	3,568,985
Less Accumulated Depreciation	(1,135,763)	(108,322)	(1,244,085)
Total Capital Assets	<u>2,820,227</u>	<u>221,187</u>	<u>3,041,414</u>
Total Assets	<u>\$ 7,142,548</u>	<u>\$ 376,827</u>	<u>\$ 7,519,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ 16,681	\$ 40	\$ 16,721
Total Deferred Outflows of Resources	<u>\$ 16,681</u>	<u>\$ 40</u>	<u>\$ 16,721</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 200,636	\$ 12,193	\$ 212,829
Deposits	15,124	326	15,450
Unearned Revenue	141,664	1,083	142,747
Noncurrent Liabilities:			
Due within one year	157,764	5,098	162,862
Due in more than one year	889,278	82,841	972,119
Total Liabilities	<u>\$ 1,404,466</u>	<u>\$ 101,541</u>	<u>\$ 1,506,007</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement receipts	\$ 19,486	\$ 34	\$ 19,520
Total Deferred Inflows of Resources	<u>\$ 19,486</u>	<u>\$ 34</u>	<u>\$ 19,520</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 2,165,096	\$ 162,507	\$ 2,327,603
Restricted for:			
Education	2,186,305	-	2,186,305
Other Purposes	268,773	70,177	338,950
Construction and Debt Service	357,066	7,157	364,223
Unrestricted	758,037	35,451	793,488
Total Net Position	<u>\$ 5,735,277</u>	<u>\$ 275,292</u>	<u>\$ 6,010,569</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF ACTIVITIES

## COMPONENT UNITS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Expenses:			
Compensation and benefits	\$ 1,282,841	\$ 70,066	\$ 1,352,907
Supplies and materials	318,251	14,443	332,694
Contractual services	148,057	5,726	153,783
Repairs and maintenance	67,810	5,396	73,206
Utilities	33,306	3,882	37,188
Communications	11,625	455	12,080
Depreciation	121,817	8,277	130,094
Scholarships and fellowships	68,639	4,450	73,089
Other	5,936	13,362	19,298
Total Operating Expenses	2,058,282	126,057	2,184,339
Program Revenues:			
Charges for Services	837,614	49,460	887,074
Operating Grants and Contributions	436,264	14,547	450,811
Capital Grants and Contributions	(1,307)	2,094	787
Total Program Revenues	1,272,571	66,101	1,338,672
Net (Expense) Revenue	(785,711)	(59,956)	(845,667)
General Revenues:			
Interest and investment earnings	78,502	2,443	80,945
Miscellaneous	418,241	12,704	430,945
Payments from the State of Nebraska	609,056	54,923	663,979
Total General Revenues	1,105,799	70,070	1,175,869
Change in Net Position	320,088	10,114	330,202
Net Position - Beginning (as restated)	5,415,189	265,178	5,680,367
Net Position - Ending	\$ 5,735,277	\$ 275,292	\$ 6,010,569

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(dollars expressed in thousands)

## 1. Summary of Significant Accounting Policies

- A. Basis of Presentation.** The accompanying financial statements of the State of Nebraska (the “State”) and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

- B. Reporting Entity.** In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State’s reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

**Discretely Presented Component Units.** The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State’s financial statements to be misleading. These component units are reported in a separate column in the government-wide financial statements.

**Nebraska State College System.** The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports may be found on the [State Colleges’](#) website under [Audit Reports](#).

**University of Nebraska.** The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University’s financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Science Research Fund, organized to solely support the research mission of the University of Nebraska Medical Center; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the University Technology Development Center, formed for the purpose of supporting the research mission of the University and advance technology transfer globally; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependent on the State, since the Nebraska Legislature controls the budget of the University. Audit reports may be found on the [University’s Accounting and Finance](#) website.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

**Related Organizations.** The State’s officials are responsible for appointing members of boards of other organizations, but the State’s accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational, Health, and Social Services Finance Authority, Nebraska Investment Finance Authority, and Wyuka Cemetery.

**C. Government-wide and Fund Financial Statements.** The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity’s non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

**Net Investment in Capital Assets.** This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

**Restricted Net Position.** This category results when constraints are externally imposed on net position use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net position only when unrestricted net position is insufficient or unavailable.

The Statement of Net Position reports \$3,211,401 of restricted net position, of which \$1,795,046 is restricted by enabling legislation.

**Unrestricted Net Position.** This category represents net position that does not meet the definition of the preceding two categories. Unrestricted net position often has constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

**D. Basis of Accounting.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues available if the revenues are collected within 60 days after year end, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying activity takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred inflows of resources.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

**General Fund.** This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

**Highway Fund.** This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

**Federal Fund.** This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund and Airport Development Fund.

**Health and Social Services Fund.** This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

**Permanent School Fund.** This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from these lands; escheats; unclaimed property and other items provided by law. Net appreciation on investments is not available for expenditure. Income is distributed to public schools.

The State reports the following major enterprise fund:

**Unemployment Insurance Fund.** This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

The State also reports the following fund types:

#### **Governmental Fund Types:**

**Special Revenue Funds.** Reflect transactions related to resources received and used for restricted or specific purposes.

**Capital Projects Fund.** Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

**Permanent Funds.** Reflect transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

#### **Proprietary Fund Types:**

**Enterprise Funds.** Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**Internal Service Funds.** These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

#### **Fiduciary Fund Types:**

**Pension Trust Funds.** These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

**Private Purpose Trust Funds.** These funds account for Unclaimed Property and Nebraska College Savings Plan activity held for private individuals.

**Agency Funds.** These funds account for assets held by the State pending distribution to other governments and individuals.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- E. Cash and Cash Equivalents.** In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2017, approximates fair value due to their short-term nature. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

**F. Investments.** Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are recorded at fair value in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The State's valuation methodologies are generally based on quoted market prices. These valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies determined by law.

**G. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

**H. Inventories.** Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of unearned revenue, in the Federal Fund. Commodities are reported at fair values established by the federal government at the date received.

**I. Restricted Assets.** Assets held by the trustee for the Master Lease Purchase Program are classified as restricted position on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

**J. Capital Assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collection items are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially all initial building costs, land, land improvements, and software costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation: Buildings 40 years and Equipment 3-20 years.

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

**K. Compensated Employee Absences.** All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested vacation leave at a variable rate based on years of service. Generally, accrued vacation leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee's accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

**L. Fund Balance.** In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, the highest level of decision making authority for the State, by passing a legislative bill. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes, by directive of the Executive Committee of the Legislature or in some cases by legislation. Unrestricted balances are used in the order listed above when expenditures are made which could be used from any of those categories. The State considers restricted balances to have been spent when both restricted and unrestricted fund balance is available.

The State maintains a stabilization fund reported as committed fund balance. The Cash Reserve Fund is part of the General Fund and was established by State Statute to be used as a reserve when the cash balance of the General Fund is insufficient to meet General Fund current obligations and for legislatively mandated transfers to other funds. Additions to the fund are made when actual General Fund revenues exceed certified projections for a fiscal year.

**M. Interfund Activities.** Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Activities that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund activities are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**N. Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2017 basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

**Deposits.** At June 30, 2017, the carrying amounts of the State's deposits were \$19,748 and the bank balances were \$110,497. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling \$21,955 at June 30, 2017.

**Investments.** State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

Following are two different presentations of the primary government's investments, by investment type, at June 30, 2017. The first table below presents all investments stated at fair value using valuation techniques to measure fair value, followed by a table presenting investments at fair value for financial statement purposes, with debt securities presented with effective duration stated in years.



The State utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the State has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information for external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flows and other income valuation approaches.

For financial statement purposes, the investment amounts for some funds presented in the fiduciary fund financial statements reflect balances per audited financial statements for the period ended December 31, 2016. The underlying investments for these funds as of June 30, 2017 are included in the fair value measurement calculations and investment risk disclosures presented below for fiduciary funds.

**PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2017 AT FAIR VALUE MEASUREMENTS USING:**

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Debt Securities</b>				
U.S. Treasury Notes and Bonds	\$ 1,142,269	\$ -	\$ 1,142,269	-
Government Agency Securities	946,989	-	946,989	-
Corporate Bonds	2,408,286	-	2,407,303	983
International Bonds	218,555	-	218,555	-
Mortgages	733,690	258	733,361	71
Asset Backed Securities	185,084	-	182,714	2,370
Bank Loans	300,377	-	300,377	-
Commingled Funds	1,087,663	1,087,663	-	-
Municipal Bonds	7,868	-	7,868	-
Short Term Investments	516,133	61,024	455,109	-
	<u>7,546,914</u>	<u>1,148,945</u>	<u>6,394,545</u>	<u>3,424</u>
<b>Other Investments</b>				
Adr's, GDRs & Trust	3,980	3,980	-	-
Equity Securities	1,761,477	1,761,466	11	-
Private Equity	310	310	-	-
Commingled Funds	9,156,591	4,277,785	4,878,806	-
Options	74	17	57	-
U.S. Treasury Investment Pool	429,229	-	429,229	-
<b>Total Investments</b>	<u>\$ 18,898,575</u>	<u>\$ 7,192,503</u>	<u>\$ 11,702,648</u>	<u>\$ 3,424</u>
<b>Investments measured at the net asset value (NAV):</b>		<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice period</b>
<b>Real Estate Funds:</b>				
Core	\$ 652,735	60,000	Quarterly	90 Days
Non-Core	435,908	185,520		
Private Equity Funds	819,358	571,393		
Short Term Investment Funds	242,576	-		
Opportunistic Credit Funds	136,234	83,739		
Other - Distressed Securities	149	-		
Hedge Funds	69,222			
<b>Total investments measured at net asset value</b>	<u>\$ 2,356,182</u>	<u>\$ 900,652</u>		
<b>Total</b>	21,254,757			
Other Investments not classified	281,758			
Component unit investment in State investment pool	(867,836)			
Other fair value measurements	4,044,349			
<b>Total Investments at fair value</b>	<u>\$ 24,713,028</u>			

Debt securities and other investments classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities and other investments classified in Level 2 are valued using the following approaches:

- U.S. Treasury Notes and Bonds, Government Agency Securities, and Short Term Investments: quoted prices for identical securities in markets that are not active;
- Corporate, International, Municipal Bonds, and Equity Securities: quoted prices for similar securities in active markets;
- Asset Backed Securities, Bank Loans, and Mortgages: matrix pricing, based on accepted modeling and pricing conventions, of the securities' relationship to benchmark quoted prices;
- Commingled Funds: published fair value per share (unit) for each fund.

Debt securities and other investments including Asset Backed Securities, Corporate Bonds, and Mortgages, classified in Level 3 are valued using unobservable inputs, such as reviews, recommendations and adjustments made by portfolio management; or, the use of internal data to develop unobservable inputs if there is no objective information available without incurring undue cost and effort.

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the consolidated statements of financial position. Investments valued using the net asset value per share are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The State values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The NAV table also presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the State’s alternative investments.

**Other investments not classified.** The following investments with fair value for financial statement purposes at June 30, 2017 were not classified for fair value measurement purposes: Securities Lending Short-term Collateral Investment Pool Investments in the amount of \$244,828 loaned to broker-dealers and banks under the securities lending program; Other Investments in the amount of \$34,186 presented as Commingled Funds held by a custodian for certain member accounts of the Nebraska Public Employees Retirement Systems Deferred Compensation Plan; and, Debt Securities in the amount of \$2,744 presented as Short Term Investments held by a trustee representing the balance of unexpended funds received from the issuance of capital lease obligations.

**Other fair value measurements.** The fair value of certain Other Investment amounts presented as Commingled Funds for the Nebraska Educational Savings Plan Trust (Trust) were measured on December 31, 2016. These investments were not re-valued on June 30, 2017. Following is a summary of the fair value measurement and related input level as presented in the Trust’s December 31, 2016 audited financial statements: Fair Value \$4,194,694; Input Levels: 1 - \$2,674,698; 2 - \$1,519,996; 3 - \$0. Additional information regarding these assets and related measurement details can be found in the Trust’s audited financial statement located on the Nebraska State Treasurer’s Office web site at [treasurer.nebraska.gov](http://treasurer.nebraska.gov).

The fair value of investments for the State and County Employees’ Retirement Plans are reported for financial statement purposes as of December 31, 2016. The investment balances on June 30, 2017 were re-valued for fair value measurement purposes, resulting in a decrease in fair value of \$150,346.

The primary government's investments at June 30, 2017 are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

**PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2017 FOR FINANCIAL STATEMENT PURPOSES**

	<b>GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES</b>		<b>FIDUCIARY FUNDS</b>	
	<b>FAIR VALUE</b>	<b>EFFECTIVE DURATION</b>	<b>FAIR VALUE</b>	<b>EFFECTIVE DURATION</b>
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 733,463	3.72	\$ 414,053	7.57
U.S. Treasury Bills	-	-	2,610	-
Government Agency Securities	911,971	4.19	31,820	6.21
Corporate Bonds	1,625,533	3.63	781,056	5.35
International Bonds	3,490	1.92	209,927	6.45
Mortgages	85,278	3.41	658,184	3.71
Asset Backed Securities	15,989	0.56	165,078	0.88
Bank Loans	-	-	300,637	-
Commingled Funds	3,348	-	1,031,072	5.65
Municipal Bonds	829	9.29	8,578	7.80
Short Term Investments	181,133	0.11	343,175	-
	<u>3,561,034</u>		<u>3,946,190</u>	
Other Investments				
Ad'r's, GDRs & Trust	-		4,500	
Equity Securities	38,127		1,730,837	
Private Equity	125,155		1,070,432	
Commingled Funds	1,098,166		12,404,022	
Options	11		36	
Private Real Estate	27,368		900,929	
U.S. Treasury Investment Pool	429,229		-	
Less: Component Unit Investment in State Investment Pool	<u>(867,836)</u>		<u>-</u>	
Total Investments	4,411,254		20,056,946	
Securities Lending Short-term Collateral Investment Pool	<u>40,197</u>		<u>204,631</u>	
Total	<u>\$ 4,451,451</u>		<u>\$ 20,261,577</u>	

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price.

**Credit Risk of Debt Securities.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer excluding the U.S. government, its agencies or instrumentalities or government sponsored entities is 5 percent and the maximum exposure to a single issuer below investment grade is 3 percent. The primary government's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2017**

	FAIR VALUE	QUALITY RATINGS						UNRATED
		AAA	AA	A	BBB	BB	B	
Govt Agency Securities	\$ 911,971	\$ -	\$ 907,588	\$ -	\$ -	\$ -	\$ -	4,383
Corporate Bonds	1,625,533	172,572	379,069	907,670	117,403	25,671	1,168	21,980
International Bonds	3,490	-	-	199	-	1,646	369	1,276
Mortgages	85,278	3,049	555	11	227	-	466	80,970
Asset Backed Securities	15,989	8,570	890	219	446	889	2,668	2,307
Commingled Funds	3,348	-	-	-	-	-	-	3,348
Short Term Investments	181,133	-	-	3,068	-	-	-	178,065
Municipal Bonds	829	-	519	-	310	-	-	-

**FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2017**

	FAIR VALUE	QUALITY RATINGS						UNRATED
		AAA	AA	A	BBB	BB	B	
Govt Agency Securities	\$ 35,018	\$ -	\$ 30,898	\$ 3,106	\$ 311	\$ -	\$ -	703
Bank Loans	300,377	-	-	-	-	4,673	-	295,704
Corporate Bonds	782,753	35,659	39,243	156,535	410,130	89,685	35,285	16,216
International Bonds	215,065	18,197	44,135	66,868	28,561	13,544	6,203	37,557
Mortgages	648,412	48,697	5,259	5,300	2,898	2,023	3,640	580,595
Asset Backed Securities	169,095	98,425	3,083	13,791	7,730	5,298	15,203	25,565
Commingled Funds	1,084,314	-	-	-	-	-	-	1,084,314
Short Term Investments	337,745	-	-	-	-	-	-	337,745
Municipal Bonds	7,039	479	5,263	463	574	260	-	-

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2017, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (8 percent) and Federal Home Loan Bank (8 percent). At June 30, 2017, fiduciary funds had no investments that exceeded 5 percent or more of total investments.

**Securities Lending Transactions.** The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the form of cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities. Securities on loan at year end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 8 to 29 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
FOREIGN CURRENCY AT JUNE 30, 2017**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Brazilian Real	6	194	1,646
Canadian Dollar	46	1	-
Czech Koruna	-	39	-
Danish Krone	1	310	13,978
Euro Currency	119	7,099	777
Hong Kong Dollar	-	75	-
Japanese Yen	87	530	369
Mexican Peso	5	134	1,276
Polish Zloty	20	-	-
Pound Sterling	103	3,371	1,666
South Korean Won	-	347	-
Swedish Krona	-	722	1,253
Swiss Franc	-	3,382	-
Thailand Baht	-	86	-
<b>Total</b>	<b>\$ 387</b>	<b>\$ 16,290</b>	<b>\$ 20,965</b>

**FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2017**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Argentine Peso	\$ -	\$ -	\$ 1,664
Australian Dollar	(18)	8,158	1,028
Brazilian Real	8	14,722	8,620
Canadian Dollar	339	10,277	5,182
Columbian Peso	-	-	1,733
Czech Koruna	-	474	281
Danish Krone	29	15,142	14,225
Euro Currency	10,712	389,222	70,547
Hong Kong Dollar	47	55,641	-
Indian Rupee	-	-	1,791
Indonesian Rupiah	23	2,217	-
Japanese Yen	1,502	228,085	72,850
Malaysian Ringgit	-	-	884
Mexican Peso	60	6,441	15,746
New Israeli Sheqel	16	2,123	287
New Zealand Dollar	15	6,437	12,601
Norwegian Krone	-	3,538	1,947
Philippine Peso	-	1,231	-
Polish Zloty	-	-	884
Pound Sterling	584	115,861	18,878
Singapore Dollar	-	9,766	1,281
South African Rand	108	-	228
South Korean Won	-	4,267	3,193
Swedish Krona	82	30,917	2,984
Swiss Franc	3	72,607	2,495
Thailand Baht	-	968	-
Turkish Lira	-	3,291	1,956
<b>Total</b>	<b>\$ 13,510</b>	<b>\$ 981,385</b>	<b>\$ 241,285</b>

**Derivative Financial Instruments.** Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in futures and options contract values is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at June 30, 2017 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

**DERIVATIVE INVESTMENTS AT JUNE 30, 2017**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ 496	\$ 316	\$ 20,535
Fixed Income Futures	-	(1,276)	62,300
Fixed Income Options	9	65	(3,700)
Foreign Currency Options	(18)	198	(2,149)
Futures Options	2	47	-
FX Forwards	(912)	(1,193)	47,170
Interest Rate Swap	286	3,720	109,533

**DERIVATIVE INVESTMENTS AT JUNE 30, 2017**  
**FIDUCIARY FUND**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ 2,477	\$ 1,885	\$ 108,121
Fixed Income Futures	-	(9,992)	103
Fixed Income Options	49	391	(23,800)
Foreign Currency Options	(118)	1,155	(13,267)
Futures Options	14	260	-
FX Forwards	(456)	(2,148)	496,812
Index Futures Long	-	(4)	-
Interest Rate Swap	359	21,335	463,956
Rights	18	5	23
Warrants	-	-	6

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2017, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts. The State is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at June 30, 2017, was \$1,326 for Governmental and Business-Type Activities and \$7,725 for the Fiduciary Fund. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is \$9,051. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 77 percent for the Governmental and Business-Type Activities and 70 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or BBB.

The State is exposed to interest rate risk on its interest rate swaps. Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed versus variable flows, and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State's interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate. Foreign currency risk for derivative instruments at June 30, 2017 are as follows:

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2017  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Currency</b>	<b>Swaps</b>	<b>Forward Contracts</b>	<b>Fixed Income Options</b>
Brazilian Real	-	14	-
Canadian Dollar	(18)	-	-
Swiss Franc	-	11	-
Danish Krone	-	(673)	-
Euro Currency	(9)	(6)	-
Pound Sterling	(32)	3	-
Japanese Yen	(22)	(41)	-
South Korean Won	-	17	-
Mexican Peso	-	(205)	-
Swedish Krona	-	(33)	-
New Taiwan Dollar	-	1	-
Total	<u>\$ (81)</u>	<u>\$ (912)</u>	<u>\$ -</u>

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2017  
FIDUCIARY FUND**

<b>Currency</b>	<b>Swaps</b>	<b>Forward Contracts</b>	<b>Fixed Income Options</b>
Australian Dollar	\$ -	\$ 49	\$ -
Brazilian Real	-	129	-
Canadian Dollar	(129)	196	-
Swiss Franc	-	100	-
Danish Krone	-	(207)	-
Euro Currency	1	28	18
Pound Sterling	(173)	221	-
Hungarian Forint	-	4	-
New Israeli Sheqel	-	2	-
Japanese Yen	(121)	(76)	-
South Korean Won	-	286	-
Mexican Peso	-	(1,134)	-
Norwegian Krone	-	35	-
New Zealand Dollar	-	(424)	-
Polish Zloty	-	4	-
New Russian Ruble	-	(3)	-
Swedish Krona	-	332	-
Singapore Dollar	-	(3)	-
Thailand Baht	-	2	-
Turkish Lira	-	(5)	-
New Taiwan Dollar	-	3	-
South African Rand	-	5	-
Total	<u>\$ (422)</u>	<u>\$ (456)</u>	<u>\$ 18</u>



A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2017 is as follows:

**Disclosure Regarding Deposits and Investments:**

Total Investments	\$ 24,713,028
Carrying amount of Deposits	<u>19,748</u>
Total	<u>\$ 24,732,776</u>

**Statement of Net Position:**

Cash and Cash Equivalents	\$ 675,315
Investments	3,605,969
Restricted Cash and Cash Equivalents	2,749
Securities Lending Collateral	40,197

**Statement of Fiduciary Net Position:**

Cash and Cash Equivalents	146,969
Investments	20,056,946
Securities Lending Collateral	<u>204,631</u>
Total	<u>\$ 24,732,776</u>

**3. Receivables**

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2017:

**Governmental Activities:**

General Fund	\$ 108,148
Highway Fund	191
Economic Development Fund	815
Federal Fund	16,150
Health and Social Services Fund	13,051
Other Special Revenue	<u>1,074</u>
Total Governmental Activities	<u>\$ 139,429</u>

**Business-type Activities:**

Unemployment Insurance	<u>\$ 3,880</u>
Total Business-type Activities	<u>\$ 3,880</u>

Of the taxes and other receivables, \$39,491 and \$18,297, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred inflows of resources in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land (as restated)	\$ 588,708	\$ 6,478	\$ -	\$ 595,186
Infrastructure	7,458,524	102,671	-	7,561,195
Construction in progress	265,771	125,368	126,995	264,144
Total capital assets, not being depreciated	8,313,003	234,517	126,995	8,420,525
Capital assets, being depreciated:				
Buildings and improvements (as restated)	677,987	20,802	1,133	697,656
Equipment (as restated)	534,071	39,234	34,943	538,362
Total capital assets, being depreciated	1,212,058	60,036	36,076	1,236,018
Less accumulated depreciation for:				
Buildings and improvements	311,558	16,700	1,042	327,216
Equipment	407,017	37,448	33,293	411,172
Total accumulated depreciation	718,575	54,148	34,335	738,388
Total capital assets, being depreciated, net	493,483	5,888	1,741	497,630
Governmental activities capital assets, net	<u>\$ 8,806,486</u>	<u>\$ 240,405</u>	<u>\$ 128,736</u>	<u>\$ 8,918,155</u>
<b>Business-type activities:</b>				
<b>Unemployment Insurance</b>				
Equipment, being depreciated	\$ 246	\$ -	\$ 23	\$ 223
Less accumulated depreciation	246	-	23	223
Total Unemployment Insurance, net	-	-	-	-
<b>Nonmajor Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	8,442	584	-	9,026
Equipment	5,727	765	557	5,935
Total capital assets, being depreciated	14,169	1,349	557	14,961
Less accumulated depreciation for:				
Buildings and improvements	2,900	211	-	3,111
Equipment	4,714	326	557	4,483
Total accumulated depreciation	7,614	537	557	7,594
Total capital assets, being depreciated, net	6,555	812	-	7,367
Total Nonmajor Enterprise, net	6,870	812	-	7,682
Business-type activities capital assets, net	<u>\$ 6,870</u>	<u>\$ 812</u>	<u>\$ -</u>	<u>\$ 7,682</u>

Current period depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General Government	\$ 19,555
Conservation of Natural Resources	1,737
Culture – Recreation	2,344
Economic Development and Assistance	168
Education	1,457
Health and Social Services	1,299
Public Safety	12,896
Regulation of Business and Professions	566
Transportation	14,126
Total depreciation expense - Governmental activities	<u>\$ 54,148</u>

**Construction Commitments.** At June 30, 2017, the State had contractual commitments of approximately \$761,228 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 286,305
State funds	459,880
Local funds	15,043
	<u>\$ 761,228</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

## 5. Interfund Balances

Due To/From Other Funds at June 30, 2017 consists of the following:

DUE FROM	DUE TO									TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Agency Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	
General Fund	\$ -	\$ 59	\$ 81	\$ 79	\$ -	\$ 112	\$ 388	\$ 4,389	\$ 48,589	\$ 53,697
Highway Fund	-	-	74	3	590	384	721	659	-	2,431
Federal Fund	56,667	4	-	3,010	-	1,392	48	3,399	-	64,520
Health and Social Services	-	2	-	-	-	1	19	251	-	273
Permanent School Fund	-	-	-	-	-	-	-	8	-	8
Nonmajor Governmental Funds	393	31	5	63	793	1,086	81	7,440	-	9,892
Nonmajor Enterprise Funds	-	8	-	-	-	1	-	66	-	75
Internal Service Funds	-	41	-	-	-	104	41	275	-	461
Pension Trust	-	-	-	-	-	-	-	112	-	112
Private Purpose Trust	-	-	-	-	-	-	-	10	-	10
<b>TOTALS</b>	<b>\$ 57,060</b>	<b>\$ 145</b>	<b>\$ 160</b>	<b>\$ 3,155</b>	<b>\$ 1,383</b>	<b>\$ 3,080</b>	<b>\$ 1,298</b>	<b>\$ 16,609</b>	<b>\$ 48,589</b>	<b>\$ 131,479</b>

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2017 consist of the following:

TRANSFERRED FROM:	TRANSFERRED TO:					TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 50,000	\$ -	\$ -	\$ 17,938	\$ 67,938
Highway Fund	16	-	-	-	10,751	10,767
Federal Fund	-	473	-	-	16,476	16,949
Health & Social Services Fund	1,000	-	-	-	-	1,000
Nonmajor Governmental Funds	55,411	5,338	108	180	3,896	64,933
Unemployment Fund	-	-	542	-	1,770	2,312
Nonmajor Enterprise Funds	-	-	-	908	40,370	41,278
<b>TOTALS</b>	<b>\$ 56,427</b>	<b>\$ 55,811</b>	<b>\$ 650</b>	<b>\$ 1,088</b>	<b>\$ 91,201</b>	<b>\$ 205,177</b>

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

## 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2017 consist of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Insurance	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	\$ 20,833	\$ 6,776	\$ 7,725	\$ 629	\$ -	\$ 4,755	\$ 1,964	\$ -	\$ 326	\$ 43,008
Payables to Vendors	73,763	75,313	29,850	11,822	232,050	53,524	11,191	2,606	45,003	535,122
Payables to Governments	43,754	9,483	143,844	345	8,843	3,580	268	-	25	210,142
Due to Fiduciary Funds *	-	-	-	-	-	-	49,972	-	-	49,972
Miscellaneous	-	-	10	-	-	(90)	12	30	6,082	6,044
<b>TOTALS</b>	<b>\$ 138,350</b>	<b>\$ 91,572</b>	<b>\$ 181,429</b>	<b>\$ 12,796</b>	<b>\$ 240,893</b>	<b>\$ 61,769</b>	<b>\$ 63,407</b>	<b>\$ 2,636</b>	<b>\$ 51,436</b>	<b>\$ 844,288</b>

\* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Position.

## 7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2017 are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 284,659	\$ 2,133,176	\$ 2,118,667	\$ 299,168	\$ 253,616
Capital Lease Obligations	34,780	4,490	9,820	29,450	8,915
Obligations Under Other Financing Arrangements	-	2,025	2,025	-	-
Compensated Absences	131,590	18,345	18,219	131,716	11,854
Net Pension Liability	337,411	112,373	-	449,784	-
<b>Totals</b>	<b>\$ 788,440</b>	<b>\$ 2,270,409</b>	<b>\$ 2,148,731</b>	<b>\$ 910,118</b>	<b>\$ 274,385</b>
<b>Business-type Activities:</b>					
<b>Unemployment Insurance:</b>					
Claims Payable	\$ 6,345	\$ 75,568	\$ 75,637	\$ 6,276	\$ 6,276
Compensated Absences	-	7	7	-	-
<b>Totals for Unemployment Insurance</b>	<b>6,345</b>	<b>75,575</b>	<b>75,644</b>	<b>6,276</b>	<b>6,276</b>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	17,415	20,553	5,728	32,240	5,705
Compensated Absences	906	117	81	942	84
<b>Totals for Nonmajor Enterprise Funds</b>	<b>18,321</b>	<b>20,670</b>	<b>5,809</b>	<b>33,182</b>	<b>5,789</b>
<b>Totals for Business-type Activities</b>	<b>\$ 24,666</b>	<b>\$ 96,245</b>	<b>\$ 81,453</b>	<b>\$ 39,458</b>	<b>\$ 12,065</b>

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Obligations under other financing arrangements have been liquidated in the special revenue funds.

**8. Lease Commitments**

**Capital and Operating Leases.** The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principal and interest) and the present value of future minimum payments for capital leases as of June 30, 2017 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2018	\$ 9,385
2019	7,675
2020	6,903
2021	4,255
2022	1,717
2023-2027	775
Total Minimum Payments	30,710
Less: Interest and executory costs	1,260
Present value of net minimum payments	<u>\$ 29,450</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2017:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 45,699
Less: accumulated depreciation	(21,140)
Carrying value	<u>\$ 24,559</u>

The minimum annual lease payments for operating leases as of June 30, 2017 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2018	\$ 7,869
2019	4,360
2020	3,875
2021	1,671
2022	1,471
2023-2027	5,918
2028-2032	4,787
2033-2037	2,779
Total	<u>\$ 32,730</u>

Primary Government operating lease payments for the year ended June 30, 2017 totaled \$14,843.

**Lessor Transactions.** The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2017, the State owned approximately 1.3 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$50,577 were received under these and other lease agreements for the year ended June 30, 2017.

**9. Obligations Under Other Financing Arrangements**

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

On June 18, 2015 the State in-substance defeased the Drinking Water State Revolving Fund Revenue Bonds, series 2010A, by depositing \$2,680 with an escrow agent in trust. The in-substance defeasance was funded by available cash. Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt. These bonds are scheduled to be redeemed on July 1, 2017.

Accordingly, trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2017, bonds totaling \$2,153 are considered defeased.

As of June 30, 2017 the State has no Obligations Under Other Financing Arrangements.

**10. Governmental Fund Balances**

The State's governmental fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are imposed by law through constitutional provisions or are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2017, follows:

Governmental Fund Balances						
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Funds
Restricted for:						
Education	\$ -	\$ -	\$ -	\$ -	\$ 278,939	\$ 26,919
Health and Social Services	-	-	-	555,782	-	40,114
Conservation of Natural Resources	-	-	-	-	-	651,397
Transportation	-	248,595	-	-	-	8,674
Licensing and Regulation	-	-	-	-	-	114,099
Economic Development	-	-	-	-	-	66,898
Public Safety	-	-	-	-	-	24,682
Culture – Recreation	-	-	-	-	-	54,168
Other Purposes	-	-	5,495	-	-	44,246
Total Restricted	<u>\$ -</u>	<u>\$ 248,595</u>	<u>\$ 5,495</u>	<u>\$ 555,782</u>	<u>\$ 278,939</u>	<u>\$ 1,031,197</u>
Committed to:						
Economic Stabilization	\$ 680,655	\$ -	\$ -	\$ -	\$ -	\$ -
Other Purposes	-	-	-	-	-	71,320
Total Committed	<u>\$ 680,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,320</u>
Assigned to:						
Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194
Health and Social Services	-	-	-	565	-	1,579
Licensing and Regulation	-	-	-	-	-	35,718
Economic Development	-	-	-	-	-	104
Public Safety	-	-	-	-	-	1,524
Culture – Recreation	-	-	-	-	-	95
Other Purposes	-	-	-	-	-	3,278
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ -</u>	<u>\$ 42,492</u>

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## 11. Contingencies and Commitments

**Grants and Contracts.** The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State, except for the following event identified: the State disclosed having received, on or before June 30, 2017, audit reports claiming payment for disallowed costs, penalties and fines for the State's failure to meet federal requirements related to various federal grant programs. The State is in the process of contesting these claims. However, there exists a reasonable possibility that they will be settled in the future at an estimated amount of \$47 million or more.

**Litigation.** The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The State is named as a party in a tort lawsuit relating to \$1,975 in damages. It is not possible at the present time to determine the outcome of this lawsuit or its implications.

The State is also named as a party in a tort lawsuit relating to \$2,000 in damages. The case is in active settlement negotiations and a \$1,050 liability is recorded in the government-wide financial statements.

**12. Risk Management**

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers. All vehicles owned by the State are covered to the maximum of \$401,000 limit and a \$200 retention per occurrence for liability (bodily injury and property damage to personal or real property) caused by a State vehicle. There is also auto liability with hot pursuit coverage for a maximum of \$5,000 with a \$300 retention and an additional \$300 corridor retention.

Risk Management has procured excess commercial crime coverage in the amount of \$31,000 with a self-insured retention of \$25. Risk Management has procured excess property coverage in the amount of \$401,000 with a self-insured retention of \$200. Each State agency has the option of purchasing insurance coverage for its contents, i.e. personal property. This coverage is not required, but Risk Management will purchase such coverage on behalf of an agency at its direction. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$45,899 at a discounted rate of 2.0 percent (\$8,817).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2017, and 2016, were as follows:

	Fiscal Year	
	2017	2016
Beginning Balance	\$ 75,348	\$ 78,146
Current Year Claims and		
Changes in Estimates	(222,520)	(222,553)
Claim Payments	218,552	219,755
Ending Balance	<u>\$ 71,380</u>	<u>\$ 75,348</u>



## 13. Pension Plans

### Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska County Employee Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a), 414(h) and 414(k). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained on the Nebraska Public Employees Retirement System (NPERS) website at: [npers.ne.gov](http://npers.ne.gov). Information on NPERS may also be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

**Basis of Accounting.** The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Plan Description and Funding Policy.** By State law, there is to be an equitable allocation of all plan administration expenses among the retirement systems administered by the Board, and all such expenses shall be provided from the investment income earned by the various retirement funds.

The main benefits provided by each of these plans are retirement benefits. However, the plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

Following is a summary of each of these plans:

**State Employees' Retirement.** This single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single life annuity with five-year-certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity and have the option to purchase a built in cost-of-living adjustments of 2.5 percent annually. If the retiree elects an annuity with no cost-of-living adjustments, the monthly annuity amount will never change. If the retiree purchases the cost-of-living adjustment, the annuity dollar amount increases 2.5 percent each year. Also available are additional forms of payment allowed under the plan, which are actuarially equivalent to the normal form, including the option of a full or partial lump-sum.

Under the defined contribution option, a member upon attainment of age 55, regardless of service, the retirement allowance is equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

For both the cash balance and defined contribution plans, the amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the plan's fiscal year ended December 31, 2016.

Participation in the plan is required for all permanent full-time employees upon employment. Part-time employees may elect voluntary participation upon reaching age 18. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 84-1301 through 84-1333 (Cum. Supp. 2016, Reissue 2014)) and may be amended only by the Nebraska Legislature. Pursuant to state statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent

member and State payroll-related contributions are insufficient to meet the full actuarial contribution; the remainder is paid by the State.

As of December 31, 2016, there were 25,499 members in the plan. Of these members, 15,948 were active, 7,936 were inactive, and 1,615 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$35,530 and State contributions of \$55,431 for the plan year ended December 31, 2016.

**School Employees' Retirement.** The State is the plan sponsor for the School Retirement System, a cost-sharing multiple-employer defined benefit pension plan, with 265 participating school districts; and, the Service Annuity Plan, a single-employer defined benefit pension plan. The State is also a non-employer contributing entity for the Omaha School Employees' Retirement System.

Participation in the School plan is required for all permanent employees of a Nebraska school district (other than the Omaha Public School District), an educational service unit, the state or county (if the position with the state or county requires a teaching certificate), working at least 20 hours per week on an ongoing basis, or with a full-time contract. Once an employee meets the requirements to participate in the plan, they will remain in the plan until termination or retirement. Members' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

In this plan, the State is in a special funding situation and contributes 2 percent of estimated payroll for the plan year. The employees' contribution is 9.78 percent of their compensation. Pursuant to state statute, a fixed contribution rate is paid by the employers. Currently the school district's contribution is 101 percent of the employees' contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Cum. Supp. 2016, Reissue 2014) and may be amended only by the Nebraska Legislature.

Normal retirement age is 65. Unreduced benefits are also available for a member who is at least age 55 and whose age plus service equals or exceeds 85 (Rule of 85). The monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the five 12-month periods of service in which such compensation was the greatest, multiplied by the total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. Benefit calculations vary with early retirement.

For employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit. For employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

The accompanying financial statements include member contributions of \$184,432, employer contributions of \$184,903, and State contributions of \$45,928 for the plan year ended June 30, 2017.

The Service Annuity Plan provides benefits for the employees of the Omaha Public School District equal to \$3.50 times years of services. In this plan, the State is in a special funding situation because the benefits provided to the employees of the Omaha Public School District are funded exclusively by the State. There are no employee or employer contributions made to the plan. The benefit and contribution provisions for this plan are established by State law and may be amended only by the Nebraska Legislature.

Retirement is at age 65 with 5 years of service. Early retirement is at age 55 with 10 years of service, five of which must be with the Omaha Public School District. The benefit vests when the member has five years of service.

As of January 1, 2017, there were 8,501 members in the plan. Of these members, 7,466 were active and 1,035 were inactive. For the fiscal year ending June 30, 2017, the Service Annuity received \$992 in non-employer contributions from the State.

Under state statutes, the State, as a non-employer contributing entity with a special funding situation in the Omaha School Employees' Retirement System, contributes 2% of the members' compensation. The accompanying financial statements include the State's special funding contribution of \$6,897 for the plan year ended June 30, 2017.

**Judges Retirement.** The Judges Retirement System is a single-employer defined benefit pension plan. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits vest when the member takes office.

Retirement is at age 65 with benefits calculated using the compensation for the three 12-month periods of service as a judge in which compensation was the greatest, or the average monthly compensation, multiplied by the total years of service and the formula factor of 3.5 percent, subject to a maximum of 70 percent of the final average salary. The calculation varies with early retirement.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

The plan is funded by members' contributions, a portion of court fees collected, and the State's contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2016)) and may be amended only by the Nebraska Legislature. Each member hired after July 1, 2004, contributes nine percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their monthly salary for the remainder of their active service. All other members contribute seven percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their monthly salary for the remainder of their active service. A six dollar fee for each case is collected for District and County courts, Juvenile courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County courts. An actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member contributions and court fees are insufficient to meet the full actuarial required contribution, the remainder is paid by the State.

As of June 30, 2017, there were 337 members in the plan. Of these members, 147 were active, 4 were inactive, 4 were disabled and 182 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$1,743, court fees of \$3,579 and State contributions of \$119 for the plan year ended June 30, 2017.

**State Patrol Retirement.** The State Patrol Retirement System is a single-employer defined benefit pension plan for officers of the Nebraska State Patrol.

Participation is required upon employment. Each member hired prior to July 1, 2016 contributes sixteen percent of their monthly salary and the State Patrol contributes sixteen percent. Members hired on or after July 1, 2016 contribute seventeen percent of their monthly salary and the State Patrol contributes seventeen percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Cum. Supp. 2016, Reissue 2014) and may be amended only by the Nebraska Legislature. Pursuant to this statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent the member and employer statutory contributions are insufficient to meet the full actuarial required contribution; the remainder is paid by the State as an additional contribution. Member benefits are 20 percent vested at six years of service. This vesting percentage increases 20 percent for each additional year of service thereafter until reaching 100 percent at ten years of service.

Unreduced retirement benefits are payable upon meeting the following criteria: 1) age 50 and 25 years of service, 2) age 55 and 10 years of service, or 3) age 60 regardless of service. The retirement benefit is calculated using the compensation for the three 12-month periods of service in which compensation was the greatest, multiplied by the total years of service and the formula factor of 3.0 percent, subject to a maximum of 75 percent of the final average salary. The calculation varies with early retirement which is available at age 50 and 10 years of service.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 60% of the purchasing power of the initial benefit.

Deferred Retirement Option Plan (DROP) Neb. Rev. Stat. § 81-2041 (Cum. Supp. 2016) established the Patrol DROP effective September 1, 2008. The DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. When the member enters DROP, the individual's monthly benefit is calculated and paid into an IRC § 414(k) Deferred Compensation Plan (DCP). After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

As of June 30, 2017, there were 901 members in the plan. Of these members, 391 were active, 32 were inactive, 15 were disabled, 42 were participating in the DROP program, and 421 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$4,506, and State contributions of \$7,048 for the plan year ended June 30, 2017.

**Other Plan Administered**

**County Employees' Retirement.** In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003 elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003 become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to participate. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent for the first four and one half percent and 100 percent for the extra one and two percent. The State does not contribute to this plan.

As of December 31, 2016, there were 11,596 members in the plan. Of these members, 7,867 were active, 3,160 were inactive, and 569 were retirees or beneficiaries receiving benefits. Members contributed \$13,723 and counties contributed \$20,425 during the year ended December 31, 2016, which was equal to required contributions.

**Net Pension Liability/(Asset)**

The net pension liability/(asset) calculation for the Judges, Patrol and Service Annuity plans, and the collective net pension liability for the School plan were performed with a measurement date of June 30, 2016. The total pension asset for the Judges plan and the total pension liability for the Patrol, Service Annuity and School plans as of June 30, 2016 were determined based on the annual actuarial funding valuation report prepared as of July 1, 2016.

The net pension asset calculation for the State Employees' Retirement plan was performed with a measurement date of December 31, 2016. The total pension asset as of December 31, 2016 was determined based on the annual actuarial funding valuation report prepared as of January 1, 2017.

The net pension liability calculation for the Omaha School Employees' Retirement System was performed with a measurement date of August 31, 2016. The total pension liability as of August 31, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 1, 2015.

The State Employees' Retirement plan, the State Patrol Retirement plan and the Judges' Retirement plan are all single employer plans with the State as the employer. The State will report 100 percent of the net pension liability/(asset) for each of those plans.

The State is a non-employer with a special funding situation for the school retirement plans. The State reported a \$380,152 total pension liability for its proportionate share of the collective net pension liability for the school retirement plans. The State's share is a combination of \$262,124 from the Nebraska Public Employees Retirement System's School plan, \$3,872 from the Service Annuity plan, and \$114,156 from the Omaha School Employees' Retirement System. The State's percentage of its proportionate share of the net pension liability for the Nebraska Public Employees Retirement System's School plan is 17.42 percent, the Service Annuity plan is 100 percent, and the Omaha School Employees' Retirement System is 16.84 percent. In the School plan and the Omaha School Employees Retirement System, the determination of proportionate share is based on individual employer contribution information.

The key actuarial assumptions used to measure the total pension liability, as of the latest valuation date, are as follows:

	STATE CASH BALANCE	STATE PATROL RETIREMENT	JUDGES' RETIREMENT	SCHOOL RETIREMENT AND SERVICE ANNUITY	OMAHA SCHOOL EMPLOYEES' RETIREMENT
Measurement Date	12/31/2016	6/30/2016	6/30/2016	6/30/2016	8/31/2016
Actuarial Valuation Date	1/1/2017	7/1/2016	7/1/2016	7/1/2016	9/1/2015
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Single Amortization Period	25 years	21 years	19 years	20 years	28 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	market related smoothed value
Actuarial Assumptions:					
Investment Rate of Return **	7.75%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.0% to 5.43%	4.0% to 9.5%	4.0%	4.0% to 9.0%	4.0% to 5.6%

\*\* Includes assumed inflation of 3.25% per year for State, Judges Patrol, and School plans, 3.00% for Omaha School Employees Retirement System

**Mortality Rates.** The Judges, State, School, and Service Annuity plans' pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The Judges, State, School, and Service Annuity plans' post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct). The Patrol plan's post-retirement mortality rates are the same as pre-retirement rates.

The Patrol plan's pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The Omaha School Employees' Retirement System pre-retirement mortality rates were based on the RP 2000 Combined Mortality Table, female rates set back 1 year and male rates with no set back, projected on a generational basis using Scale AA. Post-retirement mortality rates are the same as pre-retirement rates.

The Patrol, School and Service Annuity plans' disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex). The Judges plan did not utilize a disability mortality rate.

The Omaha School Employees' Retirement System post-disability mortality rates were based on the same tables as the post-retirement tables, with ages set forward 10 years.

The actuarial assumptions used in the January 1, 2017 valuation for the State are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the July 1, 2016, valuations for the School, Judges, and Patrol plans are based on the results of the most recent actuarial experience study, for the period July 1, 2006 - June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the September 1, 2015 valuation for the Omaha School Employees' Retirement System were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2012. The experience study report is dated December 23, 2013.

**Target Asset Allocation.** The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the

pension plan assets. The School, Service Annuity, State, Judges, and Patrol plans commingle their investments; thus, the target allocations are the same for each of the plans. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return *</b>
US Equity	29.00%	4.3%
Non-US Equity	13.50%	5.4%
Global Equity	15.00%	5.1%
Fixed Income	30.00%	1.4%
Real Estate	7.50%	3.6%
Private Equity	5.00%	6.4%
Total	100.00%	

\*Geometric mean, net of investment expense

For the Omaha School Employees' Retirement System, the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the System's investment consultant for the last experience study, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return *</b>
Small Cap US Equity	12.00%	7.1%
Global Equity	15.00%	7.6%
Specialty Funds	15.00%	11.0%
Alternatives	25.00%	7.6%
Fixed Income	5.00%	3.4%
High Yield Investments	16.00%	5.9%
Real Estate	12.00%	7.0%
Total	100.00%	

\*Arithmetic mean, net of investment expenses

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent for the State and 8 percent for Judges, Patrol and Schools. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The change in the net pension liability/(asset) is presented in the following schedules:

### Judges Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 6/30/2015	\$ 162,095	\$ 160,800	\$ 1,295
Changes for the year:			
Service Cost	4,721	-	4,721
Interest on Total Pension Liability	12,643	-	12,643
Differences between expected and actual experience	(2,303)	-	(2,303)
Court fees	-	3,459	(3,459)
Benefit payments, including member refunds	(9,052)	(9,052)	-
Employee contributions	-	1,651	(1,651)
Net investment income	-	2,454	(2,454)
Administrative expenses	-	(71)	71
Net changes	6,009	(1,559)	7,568
Balance at 6/30/2016	\$ 168,104	\$ 159,241	\$ 8,863

### State Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 12/31/2015	\$ 1,304,298	\$ 1,310,451	\$ (6,153)
Changes for the year:			
Service Cost	61,768	-	61,768
Interest on Total Pension Liability	98,054	-	98,054
Differences between expected and actual experience	(14,007)	-	(14,007)
Benefit payments, including member refunds	(84,773)	(84,773)	-
Employer contributions	-	44,895	(44,895)
Employee contributions	-	28,775	(28,775)
Net investment income	-	112,758	(112,758)
Administrative expenses	-	(1,134)	1,134
Transfers	5,115	5,115	-
Net changes	66,157	105,636	(39,479)
Balance at 12/31/2016	\$ 1,370,455	\$ 1,416,087	\$ (45,632)

### State Patrol Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 6/30/2015	\$ 410,211	\$ 363,923	\$ 46,288
Changes for the year:			
Service Cost	8,152	-	8,152
Interest on Total Pension Liability	32,114	-	32,114
Differences between expected and actual experience	(8,977)	-	(8,977)
Benefit payments, including member refunds	(19,577)	(19,577)	-
Employer contributions	-	7,053	(7,053)
Employee contributions	-	4,366	(4,366)
Net investment income	-	5,491	(5,491)
Administrative expenses	-	(128)	128
Other changes	-	27	(27)
Net changes	11,712	(2,768)	14,480
Balance at 6/30/2016	\$ 421,923	\$ 361,155	\$ 60,768

**Sensitivity of the net pension liability/(asset) to changes in the discount rate.** The following presents the net pension liability/(asset) of the plans calculated using the current discount rate of 8 percent for Judges, Patrol, and School. A current discount rate of 7.75 percent was used for the State plan. The table also shows what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

<b>Net Pension Liability / (Asset)</b>				
	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>	
School	\$ 670,106	\$ 380,152	\$ 138,888	
Judges	25,784	8,863	(5,729)	
Patrol	116,271	60,768	15,274	
	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>	
State	\$ 69,620	\$ (45,632)	\$ (144,404)	

**Changes to Actuarial Assumptions Subsequent Event to June 30, 2017.** At the October 17, 2016 Board Meeting, the Nebraska Public Employees Retirement Board voted to accept the economic and demographic assumptions recommended by the actuary outlined in the 2016 Experience study with an effective date of January 1, 2018, for the State and County Cash Balance Plans. The effective date for the School, Judges, and Patrol plans is July 1, 2017. The key changes in economic assumptions are as follows: Price Inflation, Investment Return, General Wage Growth, Wage Inflation, Cash Balance Interest Crediting Rate, and Cost of Living Adjustment. The key changes in demographic assumptions are as follows: Post Retirement Mortality, Pre-Retirement Mortality, Retirement, Termination, Disability, and Disabled Life Mortality. Details of the assumption changes effective for future years are available in the audited pension financials.

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports prepared by the Nebraska Public Employees Retirement Board and the Omaha School Employee Retirement System.



**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As a result of its requirement to contribute to these retirement plans, the State recognized expense of \$81,603 for the year ended June 30, 2017. Of this amount, \$15,682 pension expense was recognized for the Nebraska Public Employees Retirement System's School plan, \$44,196 expense was recognized for the State plan, \$14,390 pension expense was recognized for the Omaha School Plan, \$3,755 pension expense was recognized for the State Patrol Plan, \$2,577 pension expense was recognized for the Judges Plan, and \$1,003 in pension expense was recognized for the Service Annuity. In the accompanying financial statements, presented as of June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
<b>Actuarial Calculations:</b>		
<b>Judges Retirement</b>		
Differences between expected and actual experience	\$ 12	\$ 3,184
Net difference between projected and actual earnings on pension plan investments	12,156	5,476
<b>Patrol Retirement</b>		
Differences between expected and actual experience	-	14,442
Net difference between projected and actual earnings on pension plan investments	27,631	12,187
<b>School Retirement</b>		
Differences between expected and actual experience	1,117	40,679
Net difference between projected and actual earnings on pension plan investments	154,755	60,964
Changes in proportion	1,356	2,364
<b>State Retirement</b>		
Differences between expected and actual experience	498	17,834
Net difference between projected and actual earnings on pension plan investments	56,092	9,175
<b>Total Actuarial Calculations</b>	<b>253,617</b>	<b>166,305</b>
<b>Employer Contributions Paid Subsequent to Actuarial Measurement Date:</b>		
Judges Retirement	3,698	-
Patrol Retirement	7,048	-
School Retirement	45,928	-
<b>TOTAL</b>	<b>\$ 310,291</b>	<b>\$ 166,305</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Judges		Patrol		School		State	
	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow
2018 \$	3,378	\$ 3,878	\$ 7,657	\$ 11,115	\$ 43,656	\$ 42,419	\$ 19,557	\$ 6,254
2019	3,372	3,878	7,657	11,030	43,656	42,419	19,557	6,254
2020	3,369	790	7,657	2,849	43,656	10,297	17,312	6,254
2021	2,051	115	4,660	1,634	24,631	5,392	112	5,465
2022	-	-	-	-	211	1,036	51	2,245
Thereafter	-	-	-	-	63	78	-	539
Total \$	12,170	\$ 8,661	\$ 27,631	\$ 26,628	\$ 155,873	\$ 101,641	\$ 56,589	\$ 27,011

### Payable to the Pension Plans

At June 30, 2017, the State reported a payable of \$48,589 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

### 14. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2017, there was no outstanding debt for either of these purposes.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

		BALANCE	
		JUNE 30, 2017	
BONDS PAYABLE		INTEREST RATES	
COMPONENT UNITS			
University of Nebraska		0.90%-6.00%	\$ 851,640
Nebraska State Colleges		0.30%-5.05%	80,108
Component Units Total			<u>\$ 931,748</u>

COMPONENT UNITS			
DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 89,160	\$ 36,846	\$ 126,006
2019	79,171	33,635	112,806
2020	67,782	30,769	98,551
2021	87,495	28,182	115,677
2022	50,030	24,837	74,867
2023 - 2027	201,855	94,217	296,072
2028 - 2032	161,735	55,529	217,264
2033 - 2037	104,515	29,323	133,838
2038 - 2042	62,335	11,580	73,915
2043 - 2047	27,670	2,169	29,839
Total	<u>\$ 931,748</u>	<u>\$ 347,087</u>	<u>\$ 1,278,835</u>

**15. Tax Abatements**

Statement No. 77 of the Governmental Accounting Standards Board (GASB 77) requires the State to disclose specific information about tax abatement agreements to which it is a party. Tax abatement is defined as:

[a] reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

As of June 30, 2017 the State administered eleven separate tax abatement programs—the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Employee and Investment Growth Act, the Invest Nebraska Act, the Quality Jobs Act, the New Market Job Growth Investment Tax Credit, the Angel Investment Tax Credit, the Nebraska Job Creation and Mainstreet Revitalization Act, the Beginning Farmer Tax Credit, and the Community Development Assistance Act.

**Description of Tax Abatement Programs**

- A. The Nebraska Advantage Act**, Neb. Rev. Stat. §§ 77-5701 through 77-5735, allows taxpayers involved in a qualified business to earn and use tax benefits based on investment and employment growth. The Nebraska Advantage Act has six tiers that have varying requirements for investment and employment growth. The required levels of employment and investment must be met within 5 to 7 years, depending on the applicable tier. The maximum life of each project is 10 to 15 years.

Applicants are required to meet different levels of employment and investment based on the tier they choose and the year in which they apply. The required employment and investment levels which calendar year 2016 applicants must meet to qualify for benefits are as follows:

<b>Investment and Employment Growth</b>							
	<b>Tier 1</b>	<b>Tier 2, WP<sup>1</sup>/DC<sup>2</sup></b>	<b>Tier 2 LDC<sup>3</sup></b>	<b>Tier 3</b>	<b>Tier 4</b>	<b>Tier 5, WP<sup>1</sup>/DC<sup>2</sup>, RE<sup>4</sup>, LDC<sup>3</sup></b>	<b>Tier 6</b>
<b>Investment</b>	\$1,000	\$3,000	\$200,000	N/A	\$12,000	\$36,000 <sup>1,2,3</sup> / \$20,000 <sup>4</sup>	\$10,000 / \$106,000
<b>FTE<sup>5</sup> Growth</b>	10	30	30	30	100	N/A	75/50
<b>Annual Wage</b>	\$25	\$25	\$25	\$25	\$25	N/A	\$62 <sup>6</sup>

<sup>1</sup> Web Portal

<sup>2</sup> Data Center

<sup>3</sup> Large Data Center

<sup>4</sup> Renewable Energy

<sup>5</sup> Stated as Full-time Equivalent Employee

<sup>6</sup> Varies by county. Greater of 200% of county average weekly wage for the county in which the project is located or 150% of state average weekly wage.

Once the taxpayer meets the employment and investment levels they may receive tax benefits including: 1) a direct refund of sales and use tax paid on qualified property, 2) an investment credit equal to 3% to 15%, depending on the applicable tier, of the investment made in qualified property, 3) a compensation credit equal to 3% to 10% of the compensation paid to new employees, depending on the applicable tier, and 4) a personal property tax exemption on certain types of property for some tiers. Investment and compensation credits may be used to: 1) obtain a sales or use tax refund paid on otherwise not-refundable purchases, 2) to reduce income tax liability, and 3) to obtain a reimbursement for real property tax for certain tiers. Compensation credits may also be used to obtain a refund of, or to reduce, the taxpayer's income tax withholding liability attributable to the increase in employment. The Act has provisions through which the State may recapture benefits paid if the taxpayer fails to meet or maintain the required employment and investment levels. Benefits will be recaptured if the minimum levels of investment or employment are not maintained for all years during the entitlement period. Under recapture, for each year the levels are not maintained, the taxpayer cannot earn new tax credits or claim direct refunds of sales and use tax for investments made during the year. The State will also assess a portion of benefits already received and retain a portion of subsequent tax offsets or refunds to recover the portion of benefits subject to recapture.

- B. The Nebraska Advantage Rural Development Act**, Neb. Rev. Stat. §§ 77-27,187 through 77-27,196.01, provides tax abatements to encourage business to locate in rural areas and impoverished metropolitan areas. Taxpayers can earn investment and or employment credits if they operate a qualified business and meet the required employment and or investment levels for a project located in an eligible area. The required employment and investment levels which calendar year 2016 applicants must meet to qualify for benefits are as follows:

	Investment and Employment Levels		
	Level 1	Level 2	Livestock Modernization
<b>Investment</b>	\$125	\$250	\$50
<b>FTE<sup>7</sup> Growth</b>	2	5	N/A
<b>Wage Rate<sup>8</sup></b>	\$12.86	\$12.86	N/A
<b>Eligible Location</b>	County with Population less than 15,000; Village; or certain census tracts	County with population less than 25,000 but greater than 15,000; or city of second class	Any County

<sup>7</sup> Stated as Full-time Equivalent Employee

<sup>8</sup> Hourly Wage Rate is not expressed in thousands

Level 1 and Level 2 projects that meet both the employment and investment levels will earn a \$3 compensation credit for each new full-time equivalent employee, and a \$3 investment credit for each \$50 net gain in qualified investment. Taxpayers can use these credits: to obtain a refund of state sales and use taxes paid; against the income tax liability of the taxpayer; or as a refundable credit claimed on the income tax return of the taxpayer. Livestock modernization projects that have a net new investment of at least \$50 in any county in Nebraska can earn credits equal to 10% of investment. Livestock modernization projects are limited to a maximum of \$150 in credits. These credits may be used: to obtain a refund of state sales and use taxes paid; against the income tax liability of the taxpayer; or as a refundable credit claimed on the income tax return of the taxpayer. The approval limit for this program for the 2016 calendar year is \$1,000 for Level 1 and Level 2 projects and \$500 for livestock modernization projects. If a taxpayer with a Level 1 or Level 2 project fails to attain 75% of investment or employment estimates or to maintain required employment and investment levels for three years after the year of qualification, all benefits will be recaptured. If a taxpayer with a livestock modernization project fails to attain 75% of investment estimates, all benefits will be recaptured.

- C. The Nebraska Advantage Microenterprise Tax Credit Act**, Neb. Rev. Stat. §§ 77-5901 through 77-5908, provides tax abatements to applicants who are actively engaged in the operation of a business that operates in a distressed area<sup>1</sup> and employs five or fewer full-time equivalent employees. The applicant earns a refundable income tax credit equal to 20% of new investment and employment. There is a \$10 lifetime limit in credits that may be granted to each applicant and related parties. The approval limit for this program is \$2,000 plus the dollars that were not approved by the end of the preceding year. There are no recapture provisions under this Act.

- D. The Employment and Investment Growth Act**, Neb. Rev. Stat. §§ 77-4101 through 77-4113, allows taxpayers involved in a qualified business to earn and use tax benefits based on investment and employment growth. This program is no longer accepting new applications but continues to provide tax abatements to taxpayers for projects already in progress. The Act has three application options with different required levels of employment and or investment. Taxpayers must meet the required levels within seven years of application and can use earned tax benefits for up to 14 additional years. A business that participates in this Act elected one of the following application options: 1) \$20,000 in investment; 2) \$3,000 in investment and 30 full-time equivalent employees; or 3) \$10,000 in investment and 100 full-time equivalent employees. Once the taxpayer met the employment and investment levels they received tax benefits including: 1) a direct refund of sales and use tax paid on qualified property, 2) an investment credit equal to 10% of the of the investment made in qualified property, 3) a compensation credit equal to 5% of the increase in compensation at the project, and 4) a personal property tax exemption on certain types of property. Investment and compensation credits may be used to: 1) obtain a sales or use tax refund paid on otherwise not-refundable purchases, or 2) reduce income tax liability. Each application option offers a different combination of these tax benefits. Benefits will be recaptured if the minimum levels of investment or employment are not maintained for all years during the entitlement period. Under recapture, for each year the levels are not maintained, the taxpayer cannot earn new tax credits or claim direct refunds of sales and use tax for investments made during the year. The State will also assess a portion

<sup>1</sup> The Act defines distressed area as “a municipality, county, unincorporated area within a county, or census tract in Nebraska that has (a) an unemployment rate which exceeds the statewide average unemployment rate, (b) a per capita income below the statewide average per capita income, or (c) had a population decrease between the two most recent federal decennial censuses.” Neb. Rev. Stat. § 77-5903(2).

of benefits already received and retain a portion of subsequent tax offsets or refunds to recover the portion of benefits subject to recapture.

- E. The Invest Nebraska Act,** Neb. Rev. Stat. §§ 77-5501 through 77-5544, allows a qualified business to receive either a wage benefit credit or an alternative investment credit. This program is no longer accepting new applications but continues to provide tax abatements to taxpayers for projects already in progress. Each application was subject to the approval by a board comprised of the Governor, the State Treasurer, and the chairperson of the Nebraska Investment Council. The Act has three application levels: 1) \$10,000 investment and 25 full-time equivalent employees; 2) \$50,000 in investment and 500 full-time equivalent employees, or \$100,000 in investment and 250 full-time equivalent employees; and 3) \$200,000 in investment and 500 full-time equivalent employees. A company that reaches the employment and investment levels for the relevant application level is eligible for benefits. An eligible company may earn a wage benefit credit up to 5% of the taxable wages paid to new employees earning more than the required wage level. A company that selected the \$200,000 and 500 full-time equivalent employee application level may choose to receive, in lieu of a wage benefit credit, an alternative investment tax credit equal to 15% of the company's investment in qualified property. The credits may be used to: 1) offset up to 100% of income tax liability, and 2) obtain a refund of, or to reduce, the taxpayer's income tax withholding liability attributable to employees other than base-year employees. Each company is required to expend at least the value of the wage benefit credit or alternative investment tax credit for company training programs, employee benefit programs, educational institutional training programs, or workplace safety programs. The Act includes provisions to recapture benefits if the taxpayer fails to maintain required employment or investment levels for ten years.
- F. The Quality Jobs Act,** Neb. Rev. Stat. §§ 77-4901 through 77-4935, allows a qualified business to receive a wage benefit credit or to retain payroll withholding tax. This program is no longer accepting new applications but continues to provide tax abatements to taxpayers for projects already in progress. Each application was subject to the approval by a board comprised of the Governor, the State Treasurer, and the chairperson of the Nebraska Investment Council. The program has two application levels: 1) \$50,000 in investment and 500 full-time equivalent employees, and 2) \$100,000 and 250 full-time equivalent employees. A company that reached and maintained the required employment and investment levels is eligible to receive a wage benefit credit of up to 5% of the total compensation paid to all employees, other than base year employees. The company is required to expend at least the value of the wage benefit credit for company training programs, employee benefit programs, educational institution training programs, or workplace safety programs. The credit may be used either against the company's income tax liability, or to retain a portion of the income tax withholding which was withheld from the company's employees. The Act includes provisions to recapture benefits if the taxpayer fails to meet required employment or investment levels within seven years of application or to maintain those levels for ten years.
- G. The New Market Job Growth Investment Tax Credit,** Neb. Rev. Stat. §§ 77-1101 through 77-1119, allows individuals, corporations, estates, trusts, financial institutions, and insurance companies to claim nonrefundable, nontransferable income tax credits for investment in a qualified community development entity (CDE). The credits may be used against income tax, the premium tax imposed on insurance companies, or the franchise tax imposed on financial institutions. The Act requires the CDE to file an application for certification with the State. Upon approval of its application, the CDE may accept cash investments that qualify for the tax credit. Flow-through entities that make a qualified investment may allocate the tax credit to their partners, members, or shareholders in accordance with any agreement made between the partners, members, or shareholders.

A CDE is a corporation or partnership with the primary mission of providing investment capital for low-income communities or low-income persons, meets the definition of 26 U.S.C. 45D(c), and has entered into an agreement with the Community Development Financial Institutions Fund of the United States Treasury. The CDE must include Nebraska in its service area.

Credits are issued for equity investments in CDEs or long-term debt securities issued by a CDE that: (1) have at least 85% of its cash price used by the CDE to make qualified low-income community investments in qualified active low-income community businesses located in Nebraska by the first anniversary of the initial credit allowance date, (2) are designated by the CDE as a qualified equity investment, and (3) are certified by the Tax Commissioner as not exceeding the total fiscal year credit limitation for the program of \$15,000.

The tax credit is computed by multiplying the cash purchase price of the investment by the allocable percentage at each credit allowance date. The credit allowance dates and percentages are: 0% on the first and second credit allowance dates; 7% on the third credit allowance date; and 8% on the fourth through seventh credit allowance dates.

The Act provides that credits may be recaptured in several situations. First, credits may be recaptured if any amount of the federal qualified equity investment credit is recaptured. Second, credits may be recaptured if the CDE redeems or repays some or all of the principle of the investment prior to the last credit allowance date. Finally, credits may be recaptured if the CDE

fails to invest and satisfy the requirements of the program and maintain its investment in a qualified low-income community investment in Nebraska until the last credit allowance date.

- H. The Angel Investment Tax Credit**, Neb. Rev. Stat. § 77-6301 to § 77-6310, provides refundable income tax credits to encourage entrepreneurship and to increase high-technology industries in underserved areas of Nebraska. Individuals, trusts, or pass-through entities can apply to be certified as a qualified investor by the State. To receive credits, individual investors must invest a minimum of \$25, and investment funds must invest \$50, in a calendar year in a qualified small business. A qualified small business is a business based in Nebraska with more than 51% of their employees in Nebraska and have fewer than 25 employees. Qualified investors are eligible to earn a credit equal to 40% of their qualified investment in a qualified small business. Credits are capped at \$350 for married couples filing a joint return and at \$300 for single filers. No more than \$1,000 in credits is to be allocated for investment in any one small business and no more than \$4,000 in credits shall be allocated in any calendar year. These credits are subject to recapture if the investment is not held in the small business for at least three years.
- I. The Nebraska Job Creation and Mainstreet Revitalization Act**, Neb. Rev. Stat. §§ 77-2901 to 77-2912, is jointly administered by the Nebraska State Historical Society (NSHS) and the State. The Act provides credits to applicants who incur eligible expenditures to rehabilitate historically significant real properties. Applicants may receive a credit equal to 20% of eligible expenditures up to \$1,000 per project. The credit may be used against income tax, premium tax imposed on insurance companies, or franchise tax imposed on financial institutions. This credit is transferable and distributable, subject to certain limitations. Transferable credits may be claimed beginning with the year the improvement is placed in service. Distributable credits may be claimed beginning with the year the improvement is placed in service or the year the recipient became a member, partner, or shareholder of a flow-through entity in which they obtained an ownership interest in the entity, whichever is later. Credits may be carried forward until fully utilized, or until December 31, 2027. If at any time during the five years after the improvement to the property is placed in service, the NSHS determines that the property is the subject of work not in substantial conformance with the approved application or the documents from which the tax credit was calculated, the tax credits may be recaptured from the property owner.
- J. The Beginning Farmer Tax Credit Act**, Neb. Rev. Stat. §§ 77-5201 through 77-5215 and 77-2715.07, is a program that provides tax abatements to eligible beginning farmers and livestock producers and owners who rent assets to those beginning farmers and livestock producers. Applicants must be certified by the Beginning Farmer Board (Board). To be certified as a qualified beginning farmer or livestock producer, an applicant must: 1) be a Nebraska resident who is farming or seeks to farm or raise crops or livestock in the state, 2) have a net worth of not more than \$200, 3) provide the majority of the day-to-day physical labor and management for the operation, 4) demonstrate profit potential to the Board, 5) demonstrate a need for assistance, 6) participate in financial management program, 7) submit a nutrient management plan and soil conservation plan to the Board, and 8) have other qualifications as specified by the Board.

Certified beginning farmers and livestock producers are eligible for a personal property tax exemption for tangible personal property that is used in a qualifying beginning farmer or livestock producer operation. This portion of the tax abatement affects only county revenue and is, therefore, not included in this footnote.

The Act also provides two refundable income tax credits. These two credits affect state revenue and, therefore, are included in this footnote. First, a beginning farmer or livestock producer is allowed a one-time income tax credit equal to the actual cost of participation in the financial management program required for eligibility under the Act. Each beginning farmer may claim a one-time credit up to \$0.5. Second, the owner of agricultural assets that are rented, pursuant to a three-year rental agreement, to a beginning farmer is allowed a credit equal to 10% of the gross rental income on cash rentals or 15% of the cash equivalent of a share-rental agreement. This credit is subject to recapture if the three-year lease agreement is terminated with fault on the part of the owner of the agricultural assets.

- K. The Community Development Assistance Act**, Neb. Rev. Stat. §§ 13-201 through 13-208, is a program that encourages investment in community betterment organizations by providing tax credits to investors. The Act permits the State to distribute tax credits to businesses and individuals that make eligible contributions of cash, services or materials to approved community betterment projects. Tax credits may be used against income tax, premium tax, and franchise tax liabilities. Under the Act, a non-profit community betterment organization may apply to have a project approved to receive eligible contributions. Applicants must be a village, city, or county government or a nonprofit 501(c)(3) organization that will service an economically distressed area. Eligible projects include those that provide employment training, human and medical services, physical facility and neighborhood development services, recreational and education activities, or crime prevention. Income tax credits may be awarded by the State to individuals or entities that make eligible contributions. The credit awarded may be up to 40 percent of the value of the contribution. No more than \$50 in tax credits may be approved per project per year. A total of \$275 in credits is permitted to be certified by State in the fiscal year 2016-2017. This Act has no provisions for recapture.

**Amount of State Taxes Abated**

The following table reports the gross dollar amount, on an accrual basis, by which the State's tax revenues were reduced during the fiscal year ending June 30, 2017 as a result of tax abatement agreements for each of the eleven programs.

<b>No.</b>	<b>Program</b>	<b>Taxes Abated</b>
A	Nebraska Advantage Act	\$160,958
B	Nebraska Advantage Rural Development Act	881
C	Nebraska Advantage Microenterprise Tax Credit Act	1,231
D	Employment and Investment Growth Act	133,846
E	Invest Nebraska Act	42,691
F	Quality Jobs Act	*
G	New Market Job Growth Investment Tax Credit	12,838
H	Angel Investment Tax Credit	5,650
I	Job Creation and Mainstreet Revitalization Act	3,100
J	Beginning Farmer Tax Credit Act	1,198
K	Community Development Assistance Act	228
<b>Total</b>		<b>\$362,621 **</b>

\* To maintain confidentiality, no information is disclosed due to the low number companies reporting activity.

\*\* This total excludes amounts for programs that were not individually reported.

1. Confidentiality

Unless a specific statutory exception exists, all information relating to a particular taxpayer, which has been obtained by the State from any source is confidential.

Tabulations which would tend to identify a particular taxpayer either directly or indirectly are also confidential. The State follows the guidance of the IRS with reference to the disclosure of statistical information. To protect confidential information, the State will not release a statistical tabulation that contains information from fewer than three taxpayers. A statistical tabulation prepared for a geographic area less than the entire state will not be released if it contains information from fewer than ten taxpayers.

2. Additional Information

The Department of Revenue issues an Annual Report to the Nebraska Legislature on July 15 of each year. The report contains additional information on the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research and Development Act, the Employment and Investment Growth Act, the Invest Nebraska Act, and the Quality Jobs Act. The report also includes information regarding tax abatements granted to individual taxpayers under the Nebraska Advantage Act and the Nebraska Advantage Rural Development Act. The report can be found on the Department's website here: [http://www.revenue.nebraska.gov/incentiv/annrep/16an\\_rep/16\\_annrp.html](http://www.revenue.nebraska.gov/incentiv/annrep/16an_rep/16_annrp.html).

**Amounts Received or Receivable from Other Governments**

The State collects the local sales and use tax imposed by any city or county and remits the amounts back to the municipality on a monthly basis, less any refunds made. Deductions for refunds are delayed for cities of the first class, cities of the second class, and villages. Pursuant to Neb. Rev. Stat. § 77-27,144, when a refund of local sales and use tax is made under the Nebraska Advantage Act, Neb. Rev. Stat. §§ 77-5725 and 77-5726, or the Employment and Investment Growth Act, Neb. Rev. Stat. §§ 77-4105 and 77-4106, deductions for the refund are delayed for one year after the refund has been made to the taxpayer. If a refund claimed under the Nebraska Advantage Act or the Employment and Investment Growth Act exceeds twenty-five percent of a municipality's total sales and use tax receipts, net of any refunds or sales tax collection fees, for the municipality's prior fiscal year, the State will deduct the refund over the period of one year in equal monthly amounts beginning one year after the refund is made to the taxpayer.

As of June 30, 2017, the total amounts of refunds that are receivable are \$4,502 pursuant to Neb. Rev. Stat. § 77-27,144 from the following municipalities: Ainsworth, Albion, Alliance, Alma, Arapahoe, Arcadia, Arnold, Ashland, Atkinson, Auburn, Bassett, Bayard, Beatrice, Bellevue, Benkelman, Bennington, Bertrand, Big Springs, Blair, Bloomfield, Blue Hill, Brainard, Brownville, Burwell,

Cambridge, Cedar Rapids, Central City, Ceresco, Chadron, Chappell, Clarks, Clay Center, Columbus, Cortland, Cozad, Crawford, Creighton, Crete, Curtis, David City, Doniphan, Eagle, Edgar, Elm Creek, Eustis, Fairbury, Falls City, Fremont, Friend, Fullerton, Geneva, Genoa, Gering, Gordon, Gothenburg, Grand Island, Grant, Gretna, Hartington, Hastings, Hay Springs, Hebron, Henderson, Holdrege, Hooper, Howells, Hyannis, Imperial, Jackson, Kearney, Kimball, La Vista, Lexington, Linwood, Louisville, Madison, Maywood, McCook, Milford, Minden, Morrill, Mullen, Murray, Nebraska City, Neligh, Nelson, Norfolk, North Bend, North Platte, Oakland, Ogallala, O'Neill, Ord, Oxford, Palmyra, Papillion, Pawnee City, Pender, Plattsmouth, Ponca, Ralston, Ravenna, Red Cloud, Saint Paul, Sargent, Schuyler, Scottsbluff, Seward, Shelton, Sidney, South Sioux City, Spencer, Springfield, Stromsburg, Stuart, Superior, Sutton, Syracuse, Tecumseh, Tekamah, Valentine, Valley, Wahoo, Wakefield, Waterloo, Waverly, Wayne, Weeping Water, West Point, Wilber, Wisner, Wymore, and York.

## 16. Restatements

Component Units Net Position – The Nebraska State College System restated prior year net position due to overstatement of some assets and understatement of prepaid expenses. These errors caused the fiscal year 2016 ending net position to be overstated. As a result, the beginning Net Position for Component Units on the Statement of Activities decreased by \$220.

The net position for fiscal year 2016 for Governmental Activities on the Government Wide Statement of Activities increased by \$12,204 due to restatement of capital assets beginning balance not reported in prior year.

The General Fund beginning Fund Balance for fiscal year 2016 was decreased by \$325 due to an overstatement of accounts receivable, an overstatement of liabilities, and an expense adjustment for prior year.

The Highway Fund beginning Fund Balance for fiscal year 2016 was increased by \$1,048 due to an understatement of accounts receivable that had not been reported in the prior year.

The Economic Development Fund beginning Fund Balance for fiscal year 2016 was increased by \$3,369 due to an understatement of loans receivable in the prior year.

The Federal Fund beginning Fund Balance for fiscal year 2016 was decreased by \$3,381 due to an overstatement of accounts receivable and loans receivable in the prior year. The Veteran's Affairs Construction Reimbursement Fund was reclassified from the Capital Project Fund to the Federal Fund to better reflect its function.

The Health and Social Services Fund beginning Fund Balance for fiscal year 2016 was decreased by \$3,127 due to an overstatement of expenses in the prior year.

The Other Special Revenue Fund beginning Fund Balance for fiscal year 2016 was increased by \$1,822 due to an understatement of accounts receivable and an overstatement of liabilities in the prior year.

The Capital Projects Fund beginning Fund Balance for fiscal year 2016 was decreased by \$402 due to the reclassification of the Veteran's Affairs Construction Reimbursement Fund from the Capital Project Fund to the Federal Fund to better reflect its function.

The Permanent School Fund beginning Fund Balance for fiscal year 2016 was increased by \$1,311 due to an overstatement of liabilities in the prior year.

The restatements of the General Fund, Highway Fund, Economic Development Fund, Federal Fund, Health and Social Services Fund, Other Special Revenue Fund, Capital Projects Fund, and the Permanent School Fund resulted in an increase in the Governmental Activities Net Position – Beginning on the Statement of Activities of \$315 that had not been reported in the prior year.

The General Services Fund beginning Fund Balance for fiscal year 2016 was increased by \$14 due to an understatement of capital assets in the prior year.

The Office of the CIO Fund beginning Fund Balance for fiscal year 2016 was increased by \$1,669 due to an understatement of capital assets in the prior year.

The Transportation Services Fund beginning Fund Balance for fiscal year 2016 was increased by \$286 due to an understatement of capital assets in the prior year.

The restatements for the General Services Fund, Office of the CIO Fund, and Transportation Services Fund resulted in an increase in the Governmental Activities Net Position – Beginning on the Statement of Activities of \$1,969 that had not been reported in the prior year.



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## REQUIRED SUPPLEMENTARY INFORMATION

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State of Nebraska

# **REQUIRED SUPPLEMENTARY INFORMATION** **BUDGETARY COMPARISON SCHEDULE** **GENERAL FUND**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 4,448,684	\$ 4,181,446	\$ 4,147,218	\$ (34,228)
Federal Grants and Contracts	861	861	861	-
Sales and Charges	21,572	21,572	21,572	-
Other	38,998	38,998	38,998	-
Total Revenues	<u>4,510,115</u>	<u>4,242,877</u>	<u>4,208,649</u>	<u>(34,228)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	418,892	399,765	380,297	19,468
Conservation of Natural Resources	48,178	44,356	34,198	10,158
Culture – Recreation	9,264	7,722	6,610	1,112
Economic Development and Assistance	26,968	19,323	14,733	4,590
Education	2,053,788	2,026,933	1,998,018	28,915
Health and Social Services	1,815,418	1,751,188	1,603,745	147,443
Public Safety	336,959	321,820	288,294	33,526
Regulation of Business and Professions	4,394	4,063	3,536	527
Transportation	-	-	-	-
Capital Projects	8,433	7,712	-	7,712
Total Expenditures	<u>4,722,294</u>	<u>4,582,882</u>	<u>4,329,431</u>	<u>253,451</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(212,179)</u>	<u>(340,005)</u>	<u>(120,782)</u>	<u>219,223</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	56,905	56,905	56,905	-
Transfers Out	(270,128)	(270,128)	(270,128)	-
Other	219	219	219	-
Total Other Financing Sources (Uses)	<u>(213,004)</u>	<u>(213,004)</u>	<u>(213,004)</u>	<u>-</u>
Net Change in Fund Balance	(425,183)	(553,009)	(333,786)	219,223
<b>FUND BALANCES, JULY 1</b>	<u>1,260,719</u>	<u>1,260,719</u>	<u>1,260,719</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 835,536</u>	<u>\$ 707,710</u>	<u>\$ 926,933</u>	<u>\$ 219,223</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the

General Fund as of June 30, 2017, follows:

Actual Fund Balances, budgetary basis, June 30, 2017

General	\$ 246,278
Cash Reserve	680,655
Budgetary fund balances	<u>926,933</u>
<b>DIFFERENCES DUE TO BASIS OF ACCOUNTING:</b>	
Record State contributions due pension funds	(48,589)
Record claims payable	(111,668)
Record other net accrued receivables and liabilities	<u>(16,339)</u>
GAAP fund balance, June 30, 2017	<u>\$ 750,337</u>

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR BUDGETARY COMPARISONS

For the Year Ended June 30, 2017

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## Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so the General Fund is the only major fund that has a budget.

**General Fund.** To account for activities funded by general tax dollars, primarily sales and income taxes.

**Cash Reserve Fund.** This is part of the General Fund, and is used to account for financial resources to be used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

**Cash Funds.** To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

**Construction Funds.** To account for financial resources to be used for the acquisition or construction of major capital facilities.

**Federal Funds.** To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

**Revolving Funds.** To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

**Trust Funds.** To account for assets held in a trustee capacity.

**Distributive Funds.** To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2017, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2017, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

# REQUIRED SUPPLEMENTARY INFORMATION

## INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2017

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

### Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

### Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall NSI system rating of 72 or above.

### Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

<u>Calendar Year</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Very Good	46%	37%	38%	39%	36%	33%
Good	38%	45%	37%	35%	38%	41%
Fair	14%	16%	22%	23%	23%	23%
Poor	2%	2%	3%	3%	3%	3%
Overall System Rating	84	84	81	81	81	80

### Estimated and Actual Costs to Maintain

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). The actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

<u>Fiscal Year</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Estimated	\$ 325	\$ 317	\$ 306	\$ 327	\$ 302	\$ 313
Actual		413	441	348	300	335
Difference		96	135	21	(2)	22

State of Nebraska

**REQUIRED SUPPLEMENTARY INFORMATION  
INFORMATION ABOUT PENSION PLANS**

For the Year Ended June 30, 2017

**SCHEDULE OF STATE'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	June 30, 2016*	June 30, 2015*	June 30, 2014*
State's proportion of the School plan collective net pension liability	17.42%	17.32%	17.44%
State's net pension liability for the Service Annuity plan	100.00%	100.00%	100.00%
State's proportion of the Omaha School Employees Retirement System collective net pension liability	16.84%	16.84%	16.84%
State's total proportionate share of the School plan collective net pension liability	\$ 262,124	188,604	169,592
Employer's proportionate share of the School plan collective net pension liability	\$ 1,242,717	900,492	802,660
Total collective net pension liability for the School plan	<u>\$ 1,504,841</u>	<u>1,089,096</u>	<u>972,252</u>
State's net pension liability for the Service Annuity plan	<u>\$ 3,872</u>	<u>3,392</u>	<u>2,879</u>
State's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 114,156	97,833	72,739
Employer's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 563,804	483,189	359,251
Total collective net pension liability for the Omaha School Employees Retirement System	<u>\$ 677,960</u>	<u>581,022</u>	<u>431,990</u>
State's proportionate share, as an employer, of the School plan collective net pension liability (a)	4,352	3,149	2,996
School plan employer's covered-employee payroll (b)	\$ 6,307	6,102	6,319
Employer's proportionate share of the School plan collective net pension liability as a percentage of the employer's covered-employee payroll (a) / (b)	69.00%	51.61%	47.41%
School plan Fiduciary net position as a percentage of the total pension liability	86.56%	89.88%	90.66%
Service Annuity plan Fiduciary net position as a percentage of the total pension liability	73.03%	76.90%	80.33%
Omaha School Employees Retirement System Fiduciary net position as a percentage of the total pension liability	63.68%	67.58%	74.98%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

\*The Omaha School Employees' Retirement System has a measurement date of August 31.

## SCHEDULE OF STATE CONTRIBUTIONS

School Employees Retirement Plan

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2017	2016	2015
School plan statutorily required contribution	\$ 38,039	36,920	35,494
Service Annuity plan statutorily required contribution	\$ 992	997	998
Omaha School Employees Retirement System statutorily required contribution	\$ 6,897	6,661	6,453
School plan contributions in relation to the statutorily required contribution	\$ 38,039	36,920	35,494
Service Annuity plan contributions in relation to the statutorily required contribution	\$ 992	997	998
Omaha School Employees Retirement System contributions in relation to the statutorily required contribution	\$ 6,897	6,661	6,453
School plan annual contribution deficiency (excess)	\$ -	-	-
Service Annuity plan annual contribution deficiency (excess)	\$ -	-	-
Omaha School Employees Retirement System annual contribution deficiency (excess)	\$ -	-	-
State's contributions, as an employer, in relation to the statutorily required contribution (a)	\$ 618	623	603
School plan employer's covered-employee payroll (b)	\$ 6,258	6,307	6,102
Contributions recognized by the School plan in relation to the statutorily required contribution as a percentage of the employer's covered-employee payroll (a) / (b)	9.88%	9.88%	9.88%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

**STATE PATROL RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET  
PENSION LIABILITY**

(Dollars in Thousands)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>			
Service Cost	\$8,152	\$7,563	\$8,174
Interest	32,114	31,350	30,165
Differences between expected and actual experience	(8,977)	(10,659)	(3,788)
Benefit payments, including member refunds	(19,577)	(19,459)	(20,010)
<b>Net change in Total Pension Liability</b>	<b>\$11,712</b>	<b>\$8,795</b>	<b>\$14,541</b>
<b>Total Pension Liability - beginning</b>	<b>\$410,211</b>	<b>\$401,416</b>	<b>\$386,875</b>
<b>Total Pension Liability - ending (a)</b>	<b>\$421,923</b>	<b>\$410,211</b>	<b>\$401,416</b>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$7,053	\$8,647	\$8,753
Employee contributions	4,366	4,180	4,134
Net investment income	5,491	13,333	54,950
Benefit payments, including member refunds	(19,577)	(19,459)	(20,010)
Administrative expenses	(128)	(117)	(121)
Other	27	22	21
<b>Net change in Plan Fiduciary Net Position</b>	<b>(\$2,768)</b>	<b>\$6,606</b>	<b>\$47,727</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>\$363,923</b>	<b>\$357,317</b>	<b>\$309,590</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$361,155</b>	<b>\$363,923</b>	<b>\$357,317</b>
<b>Net Pension Liability - ending (a) - (b)</b>	<b>\$60,768</b>	<b>\$46,288</b>	<b>\$44,099</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>85.60%</b>	<b>88.72%</b>	<b>89.01%</b>
<b>Covered payroll</b>	<b>\$27,048</b>	<b>\$26,294</b>	<b>\$25,624</b>
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>224.67%</b>	<b>176.04%</b>	<b>172.10%</b>

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**STATE PATROL RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$7,053	\$7,053	\$8,074	\$8,753	\$9,769	\$7,775	\$7,563	\$6,260	\$5,385	\$4,856
Actual employer contributions*	\$7,053	\$7,053	\$8,074	\$8,753	\$7,516	\$7,775	\$5,957	\$6,260	\$5,385	\$4,856
Annual contribution deficiency (excess)	-	-	-	-	\$2,253	-	\$1,606	-	-	-
Covered-employee payroll	\$28,092	\$27,048	\$26,294	\$25,624	\$26,902	\$27,391	\$27,988	\$27,625	\$28,386	\$27,839
Actual contributions as a percentage of covered-employee payroll	25.11%	26.08%	30.71%	34.16%	27.94%	28.39%	21.28%	22.66%	18.97%	17.44%

\*Includes any additional appropriations by the State beyond the regular, payroll-related contributions. 2015 excludes \$573 in military service credits.

Note: Information prior to 2013 was produced by the prior actuary.



**JUDGES' RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$4,721	\$4,759	\$4,257
Interest	12,643	12,171	11,568
Differences between expected and actual experience	(2,303)	(2,614)	42
Benefit payments, including member refunds	<u>(9,052)</u>	<u>(8,548)</u>	<u>(8,122)</u>
<b>Net change in Total Pension Liability</b>	\$6,009	\$5,768	\$7,745
 <b>Total Pension Liability - beginning</b>	 \$162,095	 \$156,327	 \$148,582
<b>Total Pension Liability - ending (a)</b>	\$168,104	\$162,095	\$156,327
 <b>Plan Fiduciary Net Position</b>			
Employer contributions*	\$3,459	\$3,071	\$3,906
Employee contributions	1,651	1,611	1,519
Net investment income	2,454	5,959	24,543
Benefit payments, including member refunds	(9,052)	(8,548)	(8,122)
Administrative expenses	<u>(71)</u>	<u>(83)</u>	<u>(78)</u>
<b>Net change in Plan Fiduciary Net Position</b>	(\$1,559)	\$2,010	\$21,768
 <b>Plan Fiduciary Net Position - beginning</b>	 \$160,800	 \$158,790	 \$137,022
<b>Plan Fiduciary Net Position - ending (b)</b>	\$159,241	\$160,800	\$158,790
 <b>Net Pension (Asset) Liability - ending (a) - (b)</b>	 <u><u>\$8,863</u></u>	 <u><u>\$1,295</u></u>	 <u><u>(\$2,463)</u></u>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 94.73%	 99.20%	 101.58%
 <b>Covered payroll</b>	 \$22,178	 \$21,587	 \$20,100
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	39.96%	6.00%	(12.26%)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

\*Employer contributions for 2016 consist of \$3,459 in Court Fees and \$0 in State Appropriations.

**JUDGES' RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$3,698	\$3,459	\$3,727	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491	\$3,353
Actual employer contributions	\$3,698	\$3,459	\$3,071	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491	\$3,353
Annual contribution deficiency (excess)	-	-	\$656	-	-	-	-	-	-	-
Covered-employee payroll	\$22,802	\$22,178	\$21,587	\$20,100	\$19,005	\$18,182	\$18,773	\$18,373	\$17,990	\$17,004
Actual contributions as a percentage of covered-employee payroll	16.22%	15.59%	14.23%	19.43%	16.73%	19.16%	19.07%	19.68%	19.41%	19.72%

Note: Actuarially determined employer contributions, actual employer contributions and covered-employee payroll prior to 2013 was produced by the prior actuary. For years 2014 and prior, covered-employee payroll was estimated based on the valuation.

**STATE EMPLOYEES' RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$61,768	\$57,305	\$54,921
Interest	98,054	89,967	85,696
Benefit term changes	-	35,893	-
Differences between expected and actual experience	(14,007)	721	(11,217)
Transfers	5,115	5,849	4,195
Benefit payments, including member refunds	<u>(84,773)</u>	<u>(85,278)</u>	<u>(73,527)</u>
<b>Net change in Total Pension Liability</b>	\$66,157	\$104,457	\$60,068
 <b>Total Pension Liability - beginning</b>	 \$1,304,298	 \$1,199,841	 \$1,139,773
<b>Total Pension Liability - ending (a)</b>	\$1,370,455	\$1,304,298	\$1,199,841
 <b>Plan Fiduciary Net Position</b>			
Employer contributions	\$44,894	\$43,340	\$41,456
Employee contributions	28,776	27,799	26,603
Net investment income	112,758	14,784	83,524
Benefit payments, including member refunds	(84,773)	(85,278)	(73,527)
Administrative expenses	(1,134)	(1,079)	(910)
Transfers	<u>5,115</u>	<u>5,849</u>	<u>4,195</u>
<b>Net change in Plan Fiduciary Net Position</b>	\$105,636	\$5,415	\$81,341
 <b>Plan Fiduciary Net Position - beginning</b>	 \$1,310,451	 \$1,305,036	 \$1,223,695
<b>Plan Fiduciary Net Position - ending (b)</b>	\$1,416,087	\$1,310,451	\$1,305,036
 <b>Net Pension Liability/(Asset) - ending (a) - (b)</b>	 <u><u>(\$45,632)</u></u>	 <u><u>(\$6,153)</u></u>	 <u><u>(\$105,195)</u></u>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 103.33%	 100.47%	 108.77%
 <b>Covered payroll</b>	 \$599,550	 \$578,789	 \$553,631
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	(7.61%)	(1.06%)	(19.00%)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**STATE EMPLOYEES' RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$33,205	\$29,117	\$31,986	\$35,129	\$32,983	\$27,256	\$26,361	\$24,632	\$19,975	\$19,145
Actual employer contributions*	\$45,208	\$44,314	\$42,392	\$40,345	\$35,794	\$31,496	\$30,987	\$30,895	\$29,213	\$25,599
Annual contribution deficiency (excess)	(\$12,002)	(\$15,197)	(\$10,406)	(\$5,216)	(\$2,811)	(\$4,240)	(\$4,626)	(\$6,263)	(\$9,238)	(\$6,454)
Covered-employee payroll	\$603,735	\$591,799	\$566,127	\$538,790	\$478,020	\$420,619	\$413,827	\$412,596	\$390,129	\$341,870
Actual contributions as a percentage of covered-employee payroll	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%

\*Provided by Nebraska Public Employees Retirement System

## Notes to Required Supplementary Information for Pension Plans

For the Year Ended June 30, 2017

### School

**Changes of benefit and funding terms:** The following changes were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

- 2014: As scheduled, the State contribution rate increased from 1% of covered payroll to 2%.
- 2013: Legislative Bill 553, which was passed by the 2013 Legislature, increased the State's payroll related contribution from 1% to 2% of pay, effective July 1, 2014. LB 553 also made some changes to the benefit structure for members hired on or after July 1, 2013 (Tier 2), including changing the period over which to determine final average salary to the highest 60 months rather than the current highest 36 months of service and changing the maximum cost of living adjustment from 2.5% to 1%. LB 553 also removed the scheduled reduction in the employee contribution rate in 2017. In addition, it required the use of the Entry Age Normal, level percent of payroll, method to determine the costs for the Omaha State Service Annuity and changed the amortization of the unfunded actuarial accrued liability to be based on payments determined as a level percent of payroll instead of a level dollar amount.
- 2011: Under Legislative Bill 382 passed during the 2011 Legislative session, the member contribution rate increased from 8.28% to 8.88% on September 1, 2011. Effective September 1, 2012, the member contribution rate was scheduled to increase to 9.78% and then decrease to 7.28% effective September 1, 2017. The employer contribution rate match remained unchanged at 101% of the member contribution rate. The current State of Nebraska contribution rate of 1% remained in effect until July 1, 2017, at which time it was scheduled to decrease to 0.7%.
- 2009: Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate was scheduled to increase from 7.28% to 8.28% and the State match to increase from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate was scheduled to return to 7.28% and the State match to 0.7%.

See independent auditor's report

2007: Per LB 596, passed in 2007, a one-time adjustment was made to the annuities of School members so that the current annuity was not less than 85% of the original annuity amount adjusted by the CPI-W. The statutory member contribution rate decreased to 7.28% as of September 1, 2007. Under existing statutes the rate was scheduled to drop to 7.25% on September 1, 2007.

### Changes in actuarial assumptions:

7/1/2012 valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Disabled mortality was changed to the 1983 Railroad Retirement Board Disabled Annuitants Mortality setback one year from the 1983 Railroad Retirement Board Disabled Annuitants Mortality. The prior assumption was based on the same table with no setback.
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

7/1/2007 valuation:

- Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.
- Retirement rates were increased at age 55 and decreased for ages 57 through age 65.
- Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.
- Existing disability rates were reduced by 50% at each age.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.

### Method and assumptions used in calculations of actuarially determined contributions.

The System is funded with contribution rates that are 9.78% of monthly salary for members, contribution rates that are 101% of the members' rates (9.88% of monthly salary) for the school districts and 2.00% of monthly salary for the State of Nebraska. The actuarially determined contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported in the most recent Measurement Date, June 30, 2016 (based on the July 1, 2015 actuarial valuation):

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 21 to 30 years (Single Equivalent Amortization Period is 21 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent

Wage Inflation	4.00 percent
Salary increase, including inflation	4.00 to 9.00 percent
Long-term investment rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	Service annuity – none Formula annuity – For members hired before January 1, 2013, the COLA is 2.50% per annum, compounded annually and 3.25% per annum, compounded annually, after reaching 75% purchasing power floor benefit. For members hired on or after January 1, 2013, the COLA is 1.00% per annum, compounded annually, and there is no floor for the purchasing power of the benefit.

### Service Annuity

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

None

### Changes in actuarial assumptions:

9/1/2012 valuation:

- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.
- Pre-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

### Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded with contribution amounts from the State which are actuarially determined to fund the Service Annuity benefit. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2016 (based on the July 1, 2015 actuarial valuation).

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 21 to 30 years (Single Equivalent Amortization Period is 21 years)
Asset valuation method	5-year smoothed market
Price inflation	3.25 percent
Wage Inflation	4.00 percent

See independent auditor's report

Salary increases, including wage inflation	4.00 to 9.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent

## Omaha School Employees

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 listed below:

- 2016: The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of service, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2016.
- 2013: The 2013 session of the Nebraska Legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.30% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.3930% of pay to 9.8778% of pay. The State contribution rate also increased permanently from 1.00% (plus \$973,301) to 2.00% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1.00% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.
- 2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.
- 2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July 2009 to July 2014.

## Changes in actuarial assumptions:

### 9/1/2013 valuation:

- The one-year age set forward in mortality rates for active male employees was eliminated.
- Classified members' retirement rates were adjusted.
- Vested Certificated members' assumption to elect a refund of contributions was adjusted at certain ages.
- The assumed interest rate credited on member contribution accounts was lowered from 7.00% to 3.00%.

### 9/1/2010 valuation:

- The inflation assumption was changed from 3.50% to 3.00%.
- The real rate of return increased from 4.50% to 5.00%.
- The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

### 9/1/2008 valuation:

- Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.
- Retirement rates were adjusted to better fit the observed experience.
- The use of a disability assumption was eliminated.
- Termination rates were modified to better fit the observed experience.
- Small adjustments based on actual experience were made to the election of a refund assumption.

## Method and assumptions used in calculations of Actuarially Determined Contributions.

The System is funded by statutory contribution rates for members, the School District and the State of Nebraska. If the statutory contribution rate is less than the Actuarially Determined Contribution, the School District will contribute the difference. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2016 (based on the September 1, 2015 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	Market related smoothed market
Price inflation	3.00 percent
Salary increases, including wage inflation	4.00 to 5.60 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	1.50 percent if hired before July 1, 2013 1.00 percent if hired on or after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month), if hired before July 1, 2016

## State Patrol

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

- 2016: Legislative Bill 467 (LB 467) created a new tier of State Patrol members that are employed on or after July 1, 2016. This new tier includes changes to benefits and contributions as follows:
- Member and employer contributions are increased from 16% of pay to 17% of pay.
  - Compensation no longer includes compensation for unused sick leave, unused vacation leave, unused holiday compensatory time, unused compensatory time, or any other type of unused leave, compensatory time, or similar benefits, converted to cash payments.
  - Final average salary moves from the highest three 12-month periods to the highest five 12-month periods. During the five year period, the member's compensation for the preceding plan year is capped at an eight percent increase.
  - The automatic COLA is capped at 1.0% instead of 2.5%. However, a 1.5% discretionary COLA may be granted in addition to the automatic COLA if certain criteria are met.
  - The DROP program is eliminated.
- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. As scheduled in state statute, the employee and employer contribution rate each decreased from 19% of pay to 16%.
- 2011: Under LB 382 passed during the 2011 Legislative session, both the member and employer contribution rates were increased from 16% to 19% on July 1, 2011. Effective July 1, 2013, both the member and employer contribution rates were scheduled to decrease to 16%.

2010: As scheduled, the member and employer contribution rates increased to 16% each.

See independent auditor's report



- 2009: Under Legislative Bill 188, the member contribution rate increased from 13% to 15% on July 1, 2009. The employer contribution rate remained unchanged at 15%. Effective July 1, 2010, both the member and employer contribution rates increased to 16%.
- 2008: The DROP was first reflected with an assumption that 100% of members who are eligible for the DROP will either retire or elect to participate in DROP.

#### Changes in actuarial assumptions:

7/1/2012 valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.50% for less than one year of service to 4.00% at 30 years of service. Prior valuation rates graded from 9.00% for less than one year to 4.50% at 25 years of service.
- Retirement rates were increased for early retirement (reduced benefits available at 50 years of age and 10 years of service) and decreased for normal retirement (unreduced benefits available at 55 years of age and 10 years of service).
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.
- The assumption to value deferred vested members was changed to assume they elect the greater of the present value of an annuity at earliest unreduced retirement eligibility or a refund of contributions.
- Consumer price inflation was lowered from 3.50% to 3.25%.
- Economic productivity was lowered from 1.00% to 0.75%.

#### Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded by statutory contribution rates for members and the employer (State of Nebraska). State Statutes require the State of Nebraska to make additional contributions if the regular, payroll-related contributions are insufficient to meet the actuarial required contribution for the year. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2017 (based on the July 1, 2016 actuarial valuation).

Actuarial cost method	Entry Age
Amortized method	Level percentage of payroll, closed
Remaining amortization period	Range from 20 to 30 years (Single Equivalent Amortization Period is 21 years)
Asset valuation method	5-year smoothed market
Price inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including wage inflation	4.00 to 9.50 percent
Long-term rate of return, net of investment expense, and including price inflation	8.00 percent
Cost-of-living adjustment	2.50% with a floor benefit equal to 60% purchasing power of original benefit

## Judges

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

- 2015: LB 468, which was passed by the 2015 Nebraska Legislature, made changes to the benefit structure for judges who become members on or after July 1, 2015 including the calculation of final average salary based on the highest 5 years rather than the highest 3 years of salary and a cost-of-living-adjustment (COLA) of 1% rather than 2.5%. The bill also provided for a supplemental COLA, to be granted at the Board's discretion, up to an additional 1.5% if the System is more than 100% funded. In addition, the member contribution rate for those hired on or after July 1, 2015 was increased to 10% of pay. LB 468 also increased the amount of court fees directed to fund the Judges Retirement System with the increases phased-in over two years. Ultimately, in fiscal year 2018 the additional funding is estimated to be \$1.3 million. Due to the valuation date of July 1, 2015, the change to the benefit structure had no impact on the valuation results.
- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. The court fee designated for the Judges Retirement System was scheduled to decrease from six to five dollars on July 1, 2014. Legislative Bill 306 (LB 306) removed the language to decrease the court fees so the court fee in future years remains at six dollars. The passage of Legislative Bill 414 (LB 414) in 2009 increased the member contribution rate by 1 percent, but this increase was scheduled to be removed July 1, 2014. Legislative Bill 306 (LB 306) removed the sunset provision on the increase in the member contribution rate, thereby retaining the higher contribution rates.
- 2009: LB 414 passed during the 2009 Legislative session amended the plan provisions to increase all member contribution rates by 1% and increase the court fees from \$5 to \$6 per case.
- 2008: LB 1147 amended the plan provisions to provide a subsidized early retirement benefit. The monthly benefit is reduced by 3% for retirement at age 64, by 6% at age 63, and by 9% at age 62. The monthly benefit is further reduced on an actuarially equivalent basis for retirement before at age 62 to as early as age 55.

## Changes in actuarial assumptions:

7/1/2012 valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were lowered to 4.00% from 4.50%.
- Retirement rates were decreased for ages under 65 and age 66.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.
- Deferred vested members were changed to assume they elected the greater of the present value of an annuity at age 63 or a refund of contributions.
- Consumer price inflation was lowered to 3.25% from 3.50%.
- Economic productivity was lowered to 0.75% from 1.00%.

7/1/2008 valuation:

- Retirement rates were increased at age 62 through 64 to account for the possible increase in retirements due to the subsidized early retirement factors.

## Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded with contribution rates that vary by date of hire and service for members, variable court fees as well as contributions from the State of Nebraska that cover the remaining required amounts, if necessary. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2017 (based on the July 1, 2016 actuarial valuation).

*See independent auditor's report*

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 25 to 30 years (Single Equivalent Amortization Period is 19 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including inflation	4.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	2.50% with a floor benefit equal to 75% purchasing power of original benefit. Member hired after July 1, 2015 received a 1.00% COLA.

## State Employees

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of January 1 listed below:

- 2016: The Board granted a dividend of 4.53% in 2015 that was first reflected in the January 1, 2016 valuation.
- 2013: The 2012 Nebraska Legislature passed LB 916, as amended by AM1739, which created an election period beginning September 1, 2012 and ending October 31, 2012 during which members in the State Defined Contribution Plan could elect to transfer their account balances to the State Employees' Retirement System Cash Balance Benefit Fund.
- 2009: The Board granted a dividend of 5.18% in 2008 that was first reflected in the January 1, 2009 valuation.
- 2008: Under Legislative Bill 328, enacted by the 2007 Legislature, members of the State Defined Contribution Plan could elect to transfer their account balance and participate in the State Employees' Retirement System Cash Balance Benefit Fund. The election period was from November 1, 2007 to December 31, 2007.
- The Board granted a dividend of 2.73% in 2007 that was first reflected in the January 1, 2008 valuation.
- 2007: Legislative Bill 366, enacted in 2006, eliminated the 12-month waiting period for participation. Effective January 1, 2007, any State employee who had not completed 12 continuous months of employment immediately became a member of the System. Any State employee hired in 2007 or later becomes a member of the System at their date of hire.
- The bill also increased the member contribution rate from 4.33% of pay up to \$19,954 and 4.86% on pay over \$19,954, to 4.8% on all pay. This increase also resulted in an increase in the employer contribution rate.

The Board granted a dividend of 13.50% in 2006 that was first reflected in the January 1, 2007 valuation.

## Changes in actuarial assumptions:

1/1/2013 valuation:

- The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year.

*See independent auditor's report*

- Salary increases were changed to rates grading down from 5.43% for less than one year of service to 4.00% at 20 years of service. Prior rates graded from 5.9% for less than one year of service to 4.5% at 20 years of service.
- Retirement rates increased at age 65 to 69 and 100% probability of retirement was extended to age 80 from age 70.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with 1-year setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- The select and ultimate termination rates were increased.
- Disability rates were removed.
- Price inflation was lowered from 3.50% to 3.25% per year.
- Economic productivity was lowered from 1.00% to 0.75% per year.
- The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 50% elect a lump sum and 50% elect an annuity.

1/1/2008 valuation:

- Investment return and the interest rate for annuity factors to convert account balances into monthly benefits was changed from 7.60% to 7.75%.
- Salary scale was changed from an age-based assumption to a service-based assumption, grading down from 5.9% with less than one year of service to 4.5% with 20 years of service.
- Retirement rates were decreased at ages 60 through 63 and 65 through 69.
- The select period for termination of employment rates was extended to five years with a general decrease in select and ultimate rates prior to age 30 and increases after age 30.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a one-year setback to the 1994 GAM table, projected to 2010.

#### **Method and assumptions used in calculations of actuarially determined contributions.**

The Plan is funded with fixed contribution rates for both members and the State of Nebraska. If such contributions are less than the Actuarially Determined Contribution, the State makes an additional contribution. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the January 1 preceding the first day of the fiscal year in which contributions are reported (January 1, 2016 actuarial valuation applies for contributions reported for July 1, 2016 to June 30, 2017).

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2017 (based on the January 1, 2016 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Price inflation	3.25 percent
Wage inflation	4.00 percent
Salary increases, including wage inflation	4.00 to 5.43 percent
Long-term rate of return, net of investment expense, and including price inflation	7.75 percent
Interest crediting rate, including dividends	6.75 percent



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## COMBINING FINANCIAL STATEMENTS

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# NONMAJOR GOVERNMENTAL FUNDS

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## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Licensing and Regulation.** This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

**Economic Development.** This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

**Airport Development.** This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

**Game and Parks.** This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

**Environmental Quality.** This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

**Energy Conservation.** This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, and administering and distributing federal funds provided to the State in the area of energy efficiency.

**Other Special Revenue.** This fund accounts for various other revenues that must be used for specific purposes.

## CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Aeronautics Trust Fund.** This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

**Nebraska Veterans' Aid Fund.** This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

**Permanent Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

**Agriculture Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

**Other Permanent Funds.** Normal School Endowment and Miscellaneous Permanent Trust.

State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>Assets</b>				
Cash and Cash Equivalents	\$ 30,570	\$ 2,767	\$ 1,054	\$ 34,391
Cash on Deposit with Fiscal Agents	2,749	-	-	2,749
Investments	676,870	82,349	64,284	823,503
Securities Lending Collateral	11,355	1,440	72	12,867
Receivables, net of allowance				
Taxes	831	-	-	831
Due from Federal Government	1,310	-	-	1,310
Loans	339,762	-	-	339,762
Other	16,847	557	13,506	30,910
Due from Other Funds	3,080	-	-	3,080
Inventories	1,541	-	-	1,541
Prepaid Items	86	-	-	86
Other	3,368	-	-	3,368
Total Assets	<u>\$ 1,088,369</u>	<u>\$ 87,113</u>	<u>\$ 78,916</u>	<u>\$ 1,254,398</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 33,442	\$ 12,235	\$ 16,093	\$ 61,770
Tax Refunds Payable	1	-	-	1
Deposits	3,718	-	-	3,718
Due to Other Funds	9,882	10	-	9,892
Obligations under Securities Lending	11,355	1,439	72	12,866
Total Liabilities	<u>58,398</u>	<u>13,684</u>	<u>16,165</u>	<u>88,247</u>
Fund Balances:				
Nonspendable:				
Inventories and Prepaid Items	1,627	-	-	1,627
Endowment Principal	-	-	19,515	19,515
Restricted for:				
Education	23,266	-	3,653	26,919
Health and Social Services	928	-	39,186	40,114
Conservation of Natural Resources	651,397	-	-	651,397
Transportation	8,299	-	375	8,674
Licensing and Regulation	114,099	-	-	114,099
Economic Development	66,898	-	-	66,898
Public Safety	24,682	-	-	24,682
Culture – Recreation	54,168	-	-	54,168
Other Purposes	42,115	2,109	22	44,246
Committed to:				
Other Purposes	-	71,320	-	71,320
Assigned to:				
Education	194	-	-	194
Health and Social Services	1,579	-	-	1,579
Licensing and Regulation	35,718	-	-	35,718
Economic Development	104	-	-	104
Public Safety	1,524	-	-	1,524
Culture – Recreation	95	-	-	95
Other Purposes	3,278	-	-	3,278
Total Fund Balances	<u>1,029,971</u>	<u>73,429</u>	<u>62,751</u>	<u>1,166,151</u>
Total Liabilities and Fund Balances	<u>\$ 1,088,369</u>	<u>\$ 87,113</u>	<u>\$ 78,916</u>	<u>\$ 1,254,398</u>



## State of Nebraska

# **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECTS</b>	<b>PERMANENT FUNDS</b>	<b>TOTALS</b>
<b>REVENUES</b>				
Sales and Use Taxes	\$ 20,141	\$ -	\$ -	\$ 20,141
Petroleum Taxes	13,876	-	-	13,876
Excise Taxes	44,831	9,163	-	53,994
Business and Franchise Taxes	27,239	-	-	27,239
Other Taxes	5,214	-	-	5,214
Federal Grants and Contracts	8,824	-	-	8,824
Licenses, Fees and Permits	161,630	-	-	161,630
Charges for Services	62,285	-	-	62,285
Investment Income	(3,444)	(1,299)	4,712	(31)
Rental Income	17,781	8,374	-	26,155
Surcharge	38,115	-	-	38,115
Other	23,258	1	-	23,259
Total Revenues	<u>419,750</u>	<u>16,239</u>	<u>4,712</u>	<u>440,701</u>
<b>EXPENDITURES</b>				
Current:				
General Government	71,800	-	1	71,801
Conservation of Natural Resources	74,845	-	-	74,845
Culture – Recreation	32,400	-	-	32,400
Economic Development and Assistance	33,946	-	-	33,946
Education	25,400	-	113	25,513
Higher Education - Colleges and University	-	18,317	-	18,317
Health and Social Services	17,667	-	1,514	19,181
Public Safety	49,427	-	-	49,427
Regulation of Business and Professions	111,448	-	-	111,448
Transportation	4,435	-	2	4,437
Capital Projects	-	37,527	-	37,527
Debt Service:				
Principal	2,025	-	-	2,025
Interest	6	-	-	6
Total Expenditures	<u>423,399</u>	<u>55,844</u>	<u>1,630</u>	<u>480,873</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,649)</u>	<u>(39,605)</u>	<u>3,082</u>	<u>(40,172)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	91,201	-	-	91,201
Transfers Out	(64,769)	-	(164)	(64,933)
Proceeds from Other Financing Arrangements	2,025	-	-	2,025
Total Other Financing Sources (Uses)	<u>28,457</u>	<u>-</u>	<u>(164)</u>	<u>28,293</u>
Net Change in Fund Balances	24,808	(39,605)	2,918	(11,879)
<b>FUND BALANCES, JULY 1 (as restated)</b>	<u>1,005,163</u>	<u>113,034</u>	<u>59,833</u>	<u>1,178,030</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 1,029,971</u>	<u>\$ 73,429</u>	<u>\$ 62,751</u>	<u>\$ 1,166,151</u>

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2017

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,028	\$ 1,997	\$ 6,733
Cash on Deposit with Fiscal Agents	-	-	-
Investments	146,836	58,273	-
Securities Lending Collateral	2,506	994	-
Receivables, net of allowance:			
Taxes	671	-	151
Due from Federal Government	-	-	-
Loans	-	3,369	1,490
Other	4,508	1,811	92
Due from Other Funds	41	7	9
Inventories	3	-	7
Prepaid Items	4	-	3
Other	-	3,341	-
Total Assets	<u>\$ 160,597</u>	<u>\$ 69,792</u>	<u>\$ 8,485</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 7,229	\$ 2,501	\$ 157
Tax Refunds Payable	1	-	-
Deposits	368	3,341	-
Due to Other Funds	2,338	50	19
Obligations under Securities Lending	2,506	994	-
Total Liabilities	<u>12,442</u>	<u>6,886</u>	<u>176</u>
Fund Balances:			
Nonspendable:			
Inventories and Prepaid Items	7	-	10
Restricted for:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Transportation	-	-	8,299
Licensing and Regulation	112,430	-	-
Economic Development	-	62,802	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Assigned to:			
Education	-	-	-
Health and Social Services	-	-	-
Licensing and Regulation	35,718	-	-
Economic Development	-	104	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Total Fund Balances	<u>148,155</u>	<u>62,906</u>	<u>8,309</u>
Total Liabilities and Fund Balances	<u>\$ 160,597</u>	<u>\$ 69,792</u>	<u>\$ 8,485</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 4,121	\$ 5,904	\$ 397	\$ 5,390	\$ 30,570
-	5	-	2,744	2,749
116,065	175,354	11,702	168,640	676,870
1,954	2,992	200	2,709	11,355
-	9	-	-	831
1,210	-	-	100	1,310
-	309,656	25,155	92	339,762
2,950	1,178	79	6,229	16,847
146	-	-	2,877	3,080
445	-	-	1,086	1,541
43	-	-	36	86
-	-	-	27	3,368
<u>\$ 126,934</u>	<u>\$ 495,098</u>	<u>\$ 37,533</u>	<u>\$ 189,930</u>	<u>\$ 1,088,369</u>
\$ 11,120	\$ 448	\$ 1,141	\$ 10,846	\$ 33,442
-	-	-	-	1
-	-	-	9	3,718
325	18	2	7,130	9,882
1,954	2,992	200	2,709	11,355
<u>13,399</u>	<u>3,458</u>	<u>1,343</u>	<u>20,694</u>	<u>58,398</u>
488	-	-	1,122	1,627
-	-	-	23,266	23,266
-	-	-	928	928
69,893	491,640	36,190	53,674	651,397
-	-	-	-	8,299
-	-	-	1,669	114,099
-	-	-	4,096	66,898
-	-	-	24,682	24,682
43,154	-	-	11,014	54,168
-	-	-	42,115	42,115
-	-	-	194	194
-	-	-	1,579	1,579
-	-	-	-	35,718
-	-	-	-	104
-	-	-	1,524	1,524
-	-	-	95	95
-	-	-	3,278	3,278
<u>113,535</u>	<u>491,640</u>	<u>36,190</u>	<u>169,236</u>	<u>1,029,971</u>
<u>\$ 126,934</u>	<u>\$ 495,098</u>	<u>\$ 37,533</u>	<u>\$ 189,930</u>	<u>\$ 1,088,369</u>

## State of Nebraska

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>REVENUES</b>			
Sales and Use Taxes	\$ -	\$ 5,456	\$ -
Petroleum Taxes	11,385	602	1,567
Excise Taxes	12,585	24,206	-
Business and Franchise Taxes	5,384	112	-
Other Taxes	-	-	-
Federal Grants and Contracts	3	11	-
Licenses, Fees and Permits	78,504	516	17
Charges for Services	1,446	128	442
Investment Income	(857)	(414)	144
Rental Income	-	-	609
Surcharge	38,115	-	-
Other	9,363	357	10
Total Revenues	<u>155,928</u>	<u>30,974</u>	<u>2,789</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	33,290	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	110,165	-	-
Transportation	-	-	4,435
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>110,165</u>	<u>33,290</u>	<u>4,435</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,763</u>	<u>(2,316)</u>	<u>(1,646)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,723	3,198	164
Transfers Out	(48,537)	(551)	-
Proceeds from Other Financing Arrangements	-	-	-
Total Other Financing Sources (Uses)	<u>(45,814)</u>	<u>2,647</u>	<u>164</u>
Net Change in Fund Balances	(51)	331	(1,482)
<b>FUND BALANCES, JULY 1 (as restated)</b>	<u>148,206</u>	<u>62,575</u>	<u>9,791</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 148,155</u>	<u>\$ 62,906</u>	<u>\$ 8,309</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 4,726	\$ -	\$ -	\$ 9,959	\$ 20,141
-	-	300	22	13,876
1,309	2,714	-	4,017	44,831
-	2,173	-	19,570	27,239
-	-	-	5,214	5,214
2,492	-	7	6,311	8,824
32,081	5,905	15	44,592	161,630
2,302	-	32	57,935	62,285
(742)	(1,001)	(111)	(463)	(3,444)
15,706	-	-	1,466	17,781
-	-	-	-	38,115
2,746	5,743	490	4,549	23,258
60,620	15,534	733	153,172	419,750
-	-	-	71,800	71,800
43,754	13,559	1,127	16,405	74,845
30,074	-	-	2,326	32,400
-	-	-	656	33,946
-	-	-	25,400	25,400
-	-	-	17,667	17,667
-	-	-	49,427	49,427
-	-	-	1,283	111,448
-	-	-	-	4,435
-	2,025	-	-	2,025
-	6	-	-	6
73,828	15,590	1,127	184,964	423,399
(13,208)	(56)	(394)	(31,792)	(3,649)
19,189	16,474	-	49,453	91,201
-	(200)	-	(15,481)	(64,769)
-	2,025	-	-	2,025
19,189	18,299	-	33,972	28,457
5,981	18,243	(394)	2,180	24,808
107,554	473,397	36,584	167,056	1,005,163
\$ 113,535	\$ 491,640	\$ 36,190	\$ 169,236	\$ 1,029,971

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR PERMANENT FUNDS

June 30, 2017

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS' AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>Assets</b>						
Cash and Cash Equivalents	\$ -	\$ 522	\$ 401	\$ 117	\$ 14	\$ 1,054
Investments	6,537	53,055	1,357	2,988	347	64,284
Securities Lending Collateral	-	66	2	4	-	72
Other Receivables, net of allowance	33	12,375	319	698	81	13,506
Total Assets	<u>\$ 6,570</u>	<u>\$ 66,018</u>	<u>\$ 2,079</u>	<u>\$ 3,807</u>	<u>\$ 442</u>	<u>\$ 78,916</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 14,766	\$ 384	\$ 845	\$ 98	\$ 16,093
Obligations under Securities Lending	-	66	2	4	-	72
Total Liabilities	<u>-</u>	<u>14,832</u>	<u>386</u>	<u>849</u>	<u>98</u>	<u>16,165</u>
Fund Balances:						
Nonspendable:						
Endowment Principal	6,195	12,000	503	722	95	19,515
Restricted for:						
Education	-	-	1,190	2,236	227	3,653
Health and Social Services	-	39,186	-	-	-	39,186
Transportation	375	-	-	-	-	375
Other Purposes	-	-	-	-	22	22
Total Fund Balances	<u>6,570</u>	<u>51,186</u>	<u>1,693</u>	<u>2,958</u>	<u>344</u>	<u>62,751</u>
Total Liabilities and Fund Balances	<u>\$ 6,570</u>	<u>\$ 66,018</u>	<u>\$ 2,079</u>	<u>\$ 3,807</u>	<u>\$ 442</u>	<u>\$ 78,916</u>

State of Nebraska

# **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	<b>AERONAUTICS TRUST</b>	<b>NEBRASKA VETERANS' AID</b>	<b>PERMANENT ENDOWMENT</b>	<b>AGRICULTURE ENDOWMENT</b>	<b>OTHER</b>	<b>TOTALS</b>
<b>REVENUES</b>						
Investment Income	\$ (183)	\$ 4,487	\$ 123	\$ 255	\$ 30	\$ 4,712
Total Revenues	(183)	4,487	123	255	30	4,712
<b>EXPENDITURES</b>						
General Government	-	-	-	-	1	1
Education	-	-	33	72	8	113
Health and Social Services	-	1,514	-	-	-	1,514
Transportation	2	-	-	-	-	2
Total Expenditures	2	1,514	33	72	9	1,630
Excess (Deficiency) of Revenues Over (Under) Expenditures	(185)	2,973	90	183	21	3,082
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(164)	-	-	-	-	(164)
Net Change in Fund Balances	(349)	2,973	90	183	21	2,918
<b>FUND BALANCES, JULY 1</b>	6,919	48,213	1,603	2,775	323	59,833
<b>FUND BALANCES, JUNE 30</b>	\$ 6,570	\$ 51,186	\$ 1,693	\$ 2,958	\$ 344	\$ 62,751





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## NONMAJOR ENTERPRISE FUNDS

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Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

**Lottery Fund.** This fund accounts for all receipts and expenses from the operations of the State Lottery.

**Excess Liability Fund.** This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of \$1,750,000 per occurrence on or before December 31, 2014 and \$2,250,000 for any occurrence after December 31, 2014.

**Cornhusker State Industries.** The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska

# **COMBINING STATEMENT OF NET POSITION** **NONMAJOR ENTERPRISE FUNDS**

June 30, 2017

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 7,440	\$ 24,718	\$ 13,194	\$ 45,352
Receivables, net of allowance	5,670	35,365	559	41,594
Due from Other Funds	-	-	1,298	1,298
Inventories	-	-	3,065	3,065
Prepaid Items	68	-	-	68
Other	359	-	-	359
Total Current Assets	<u>13,537</u>	<u>60,083</u>	<u>18,116</u>	<u>91,736</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	2,411	-	-	2,411
Long-Term Investments	-	74,314	-	74,314
Securities Lending Collateral	-	88	-	88
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	276	-	14,685	14,961
Less Accumulated Depreciation	(206)	-	(7,388)	(7,594)
Total Capital Assets	<u>70</u>	<u>-</u>	<u>7,612</u>	<u>7,682</u>
Total Noncurrent Assets	<u>2,481</u>	<u>74,402</u>	<u>7,612</u>	<u>84,495</u>
Total Assets	<u>\$ 16,018</u>	<u>\$ 134,485</u>	<u>\$ 25,728</u>	<u>\$ 176,231</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 8,364	\$ 42,096	\$ 976	\$ 51,436
Due to Other Funds	21	-	54	75
Claims, Judgments and Compensated Absences	26	5,705	58	5,789
Unearned Revenue	-	3,172	-	3,172
Total Current Liabilities	<u>8,411</u>	<u>50,973</u>	<u>1,088</u>	<u>60,472</u>
Noncurrent Liabilities:				
Claims, Judgments and Compensated Absences	267	26,535	591	27,393
Obligations under Securities Lending	-	88	-	88
Total Noncurrent Liabilities	<u>267</u>	<u>26,623</u>	<u>591</u>	<u>27,481</u>
Total Liabilities	<u>\$ 8,678</u>	<u>\$ 77,596</u>	<u>\$ 1,679</u>	<u>\$ 87,953</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	70	-	7,612	7,682
Restricted for:				
Lottery Prizes	2,411	-	-	2,411
Unrestricted	4,859	56,889	16,437	78,185
Total Net Position	<u>\$ 7,340</u>	<u>\$ 56,889</u>	<u>\$ 24,049</u>	<u>\$ 88,278</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 173,819	\$ 5,319	\$ 21,633	\$ 200,771
Total Operating Revenues	<u>173,819</u>	<u>5,319</u>	<u>21,633</u>	<u>200,771</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,559	-	5,256	6,815
Services and Supplies	28,917	578	11,264	40,759
Lottery Prizes	101,902	-	-	101,902
Insurance Claims	-	20,553	-	20,553
Depreciation	39	-	498	537
Total Operating Expenses	<u>132,417</u>	<u>21,131</u>	<u>17,018</u>	<u>170,566</u>
Operating Income (Loss)	<u>41,402</u>	<u>(15,812)</u>	<u>4,615</u>	<u>30,205</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	322	1,805	199	2,326
Gain (Loss) on Sale of Capital Assets	9	-	35	44
Total Nonoperating Revenues (Expenses)	<u>331</u>	<u>1,805</u>	<u>234</u>	<u>2,370</u>
Income (Loss) Before Transfers	41,733	(14,007)	4,849	32,575
Transfers Out	(41,278)	-	-	(41,278)
Change in Net Position	455	(14,007)	4,849	(8,703)
<b>NET POSITION, JULY 1</b>	<u>6,885</u>	<u>70,896</u>	<u>19,200</u>	<u>96,981</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 7,340</u>	<u>\$ 56,889</u>	<u>\$ 24,049</u>	<u>\$ 88,278</u>

## State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 173,554	\$ 5,381	\$ 2,430	\$ 181,365
Cash Received from Interfund Charges	-	-	19,730	19,730
Cash Paid to Employees	(1,524)	-	(5,228)	(6,752)
Cash Paid to Suppliers	(29,698)	(22,192)	(8,539)	(60,429)
Cash Paid for Lottery Prizes	(101,921)	-	-	(101,921)
Cash Paid for Insurance Claims	-	(5,728)	-	(5,728)
Cash Paid for Interfund Services	(266)	(81)	(622)	(969)
Net Cash Flows from Operating Activities	40,145	(22,620)	7,771	25,296
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(41,278)	-	-	(41,278)
Net Cash Flows from Noncapital Financing Activities	(41,278)	-	-	(41,278)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	(23)	-	(1,326)	(1,349)
Proceeds from Sale of Capital Assets	10	-	34	44
Net Cash Flows from Capital and Related Financing Activities	(13)	-	(1,292)	(1,305)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(171,532)	-	(171,532)
Proceeds from Sale of Investment Securities	-	193,982	-	193,982
Interest and Dividend Income	323	1,626	162	2,111
Net Cash Flows from Investing Activities	323	24,076	162	24,561
Net Increase (Decrease) in Cash and Cash Equivalents	(823)	1,456	6,641	7,274
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	8,263	23,262	6,553	38,078
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 7,440</u>	<u>\$ 24,718</u>	<u>\$ 13,194</u>	<u>\$ 45,352</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 41,402	\$ (15,812)	\$ 4,615	\$ 30,205
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	39	-	498	537
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(265)	-	812	547
(Increase) Decrease in Due from Other Funds	-	-	(285)	(285)
(Increase) Decrease in Inventories	-	-	2,154	2,154
(Increase) Decrease in Prepaid Items	(58)	-	-	(58)
(Increase) Decrease in Long-Term Deposits	(3)	-	-	(3)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(962)	(21,695)	(2)	(22,659)
Increase (Decrease) in Due to Other Funds	(8)	-	(21)	(29)
Increase (Decrease) in Claims Payable	-	14,825	-	14,825
Increase (Decrease) in Unearned Revenue	-	62	-	62
Total adjustments	(1,257)	(6,808)	3,156	(4,909)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 40,145</u>	<u>\$ (22,620)</u>	<u>\$ 7,771</u>	<u>\$ 25,296</u>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ 240	\$ -	\$ 240

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# INTERNAL SERVICE FUNDS

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Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

**Buildings and Grounds.** The activities of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

**General Services.** This fund accounts for the operations of central services provided by the Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

**Office of the CIO.** This fund accounts for the activities of the central communications network and central data processing operations maintained by Administrative Services, Office of the Chief Information Officer.

**Transportation Services Bureau.** This fund accounts for the operations of the central motor pool, which is under Administrative Services, Transportation Services Bureau.

**Risk Management.** The activities of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

**Accounting Services.** The accounting operations maintained by Administrative Services, State Accounting Division, are accounted for in this fund.

**Other Internal Service Funds.** This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by Administrative Services, Division of State Personnel.

State of Nebraska

# **COMBINING STATEMENT OF NET POSITION** **INTERNAL SERVICE FUNDS**

June 30, 2017

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 15,537	\$ 4,948	\$ 16,318
Receivables, net of allowance			
Accounts	9	26	1,279
Accrued Interest	116	34	90
Due from Other Funds	96	1,874	12,905
Inventories	30	373	76
Prepaid Items	1,198	411	-
Total Current Assets	<u>16,986</u>	<u>7,666</u>	<u>30,668</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and Equipment	971	7,860	74,510
Less Accumulated Depreciation	(624)	(5,379)	(55,476)
Total Capital Assets	<u>347</u>	<u>2,481</u>	<u>19,034</u>
Total Assets	<u>\$ 17,333</u>	<u>\$ 10,147</u>	<u>\$ 49,702</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,096	\$ 2,166	\$ 7,812
Due to Other Funds	160	16	61
Capital Lease Obligations	-	-	8,470
Claims, Judgments and Compensated Absences	48	52	294
Unearned Revenue	-	-	487
Total Current Liabilities	<u>2,304</u>	<u>2,234</u>	<u>17,124</u>
Noncurrent Liabilities:			
Capital Lease Obligations	-	-	19,795
Claims, Judgments and Compensated Absences	488	527	2,974
Total Noncurrent Liabilities	<u>488</u>	<u>527</u>	<u>22,769</u>
Total Liabilities	<u>\$ 2,792</u>	<u>\$ 2,761</u>	<u>\$ 39,893</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	347	2,481	(9,231)
Unrestricted	14,194	4,905	19,040
Total Net Position	<u>\$ 14,541</u>	<u>\$ 7,386</u>	<u>\$ 9,809</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,366	\$ 62,416	\$ 2,425	\$ 4,893	\$ 111,903
8	744	2	(144)	1,924
34	418	48	29	769
671	27	314	722	16,609
-	-	-	-	479
-	-	-	-	1,609
<u>6,079</u>	<u>63,605</u>	<u>2,789</u>	<u>5,500</u>	<u>133,293</u>
19,852	-	1,803	400	105,396
<u>(9,797)</u>	<u>-</u>	<u>(1,437)</u>	<u>(245)</u>	<u>(72,958)</u>
10,055	-	366	155	32,438
<u>\$ 16,134</u>	<u>\$ 63,605</u>	<u>\$ 3,155</u>	<u>\$ 5,655</u>	<u>\$ 165,731</u>
\$ 566	\$ 266	\$ 308	\$ 890	\$ 14,104
61	65	83	15	461
-	-	320	-	8,790
7	39,626	27	24	40,078
-	-	-	-	487
<u>634</u>	<u>39,957</u>	<u>738</u>	<u>929</u>	<u>63,920</u>
-	-	320	-	20,115
<u>73</u>	<u>31,759</u>	<u>276</u>	<u>239</u>	<u>36,336</u>
73	31,759	596	239	56,451
<u>\$ 707</u>	<u>\$ 71,716</u>	<u>\$ 1,334</u>	<u>\$ 1,168</u>	<u>\$ 120,371</u>
10,055	-	(274)	155	3,533
<u>5,372</u>	<u>(8,111)</u>	<u>2,095</u>	<u>4,332</u>	<u>41,827</u>
<u>\$ 15,427</u>	<u>\$ (8,111)</u>	<u>\$ 1,821</u>	<u>\$ 4,487</u>	<u>\$ 45,360</u>

State of Nebraska

# **COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 36,206	\$ 16,454	\$ 92,598
Other	883	-	-
Total Operating Revenues	<u>37,089</u>	<u>16,454</u>	<u>92,598</u>
<b>OPERATING EXPENSES</b>			
Personal Services	4,750	3,817	19,559
Services and Supplies	31,194	12,442	71,887
Insurance Claims	-	-	-
Depreciation	49	831	10,099
Total Operating Expenses	<u>35,993</u>	<u>17,090</u>	<u>101,545</u>
Operating Income (Loss)	<u>1,096</u>	<u>(636)</u>	<u>(8,947)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	360	109	300
Gain (Loss) on Sale of Capital Assets	9	(18)	(224)
Other	-	-	(531)
Total Nonoperating Revenues (Expenses)	<u>369</u>	<u>91</u>	<u>(455)</u>
Change in Net Position	1,465	(545)	(9,402)
<b>NET POSITION, JULY 1 (as restated)</b>	<u>13,076</u>	<u>7,931</u>	<u>19,211</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 14,541</u>	<u>\$ 7,386</u>	<u>\$ 9,809</u>



TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,695	\$ 207,763	\$ 4,373	\$ 12,836	\$ 375,925
-	-	3	673	1,559
<u>5,695</u>	<u>207,763</u>	<u>4,376</u>	<u>13,509</u>	<u>377,484</u>
545	203	2,429	7,806	39,109
2,683	2,496	1,716	5,469	127,887
-	214,584	-	-	214,584
<u>2,464</u>	<u>-</u>	<u>298</u>	<u>27</u>	<u>13,768</u>
<u>5,692</u>	<u>217,283</u>	<u>4,443</u>	<u>13,302</u>	<u>395,348</u>
3	(9,520)	(67)	207	(17,864)
105	1,407	167	90	2,538
179	-	2	12	(40)
(8)	-	(7)	-	(546)
<u>276</u>	<u>1,407</u>	<u>162</u>	<u>102</u>	<u>1,952</u>
279	(8,113)	95	309	(15,912)
<u>15,148</u>	<u>2</u>	<u>1,726</u>	<u>4,178</u>	<u>61,272</u>
<u>\$ 15,427</u>	<u>\$ (8,111)</u>	<u>\$ 1,821</u>	<u>\$ 4,487</u>	<u>\$ 45,360</u>

State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 266	\$ 872	\$ 4,267
Cash Received from Interfund Charges	36,831	15,688	94,523
Cash Paid to Employees	(4,739)	(3,813)	(19,184)
Cash Paid to Suppliers	(29,126)	(12,027)	(64,522)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(2,759)	(255)	(4,948)
Net Cash Flows from Operating Activities	<u>473</u>	<u>465</u>	<u>10,136</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(135)	(997)	(4,967)
Proceeds from Sale of Capital Assets	9	16	1,743
Principal Paid on Capital Leases	-	-	(8,715)
Interest Paid on Capital Leases	-	-	(531)
Net Cash Flows from Capital and Related Financing Activities	<u>(126)</u>	<u>(981)</u>	<u>(12,470)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	<u>354</u>	<u>115</u>	<u>381</u>
Net Cash Flows from Investing Activities	<u>354</u>	<u>115</u>	<u>381</u>
Net Increase (Decrease) in Cash and Cash Equivalents	701	(401)	(1,953)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>14,836</u>	<u>5,349</u>	<u>18,271</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 15,537</u>	<u>\$ 4,948</u>	<u>\$ 16,318</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 1,096	\$ (636)	\$ (8,947)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	49	831	10,099
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	17	-	(552)
(Increase) Decrease in Due from Other Funds	(9)	106	6,925
(Increase) Decrease in Inventories	(30)	31	(13)
(Increase) Decrease in Prepaid Items	(12)	(90)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(111)	216	2,841
Increase (Decrease) in Due to Other Funds	(527)	7	(36)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	(181)
Total Adjustments	<u>(623)</u>	<u>1,101</u>	<u>19,083</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 473</u>	<u>\$ 465</u>	<u>\$ 10,136</u>
<b>NONCASH TRANSACTIONS:</b>			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,320</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 55	\$ 8,768	\$ 3	\$ 11,133	\$ 25,364
5,735	214,455	4,397	2,563	374,192
(558)	(200)	(2,397)	(7,807)	(38,698)
(2,215)	(4,528)	(773)	(4,901)	(118,092)
-	(218,552)	-	-	(218,552)
(1,233)	(284)	(910)	(321)	(10,710)
1,784	(341)	320	667	13,504
(2,952)	-	(15)	(73)	(9,139)
1,205	-	1	12	2,986
(700)	-	(320)	-	(9,735)
(8)	-	(7)	-	(546)
(2,455)	-	(341)	(61)	(16,434)
107	1,400	167	92	2,616
107	1,400	167	92	2,616
(564)	1,059	146	698	(314)
5,930	61,357	2,279	4,195	112,217
\$ 5,366	\$ 62,416	\$ 2,425	\$ 4,893	\$ 111,903
\$ 3	\$ (9,520)	\$ (67)	\$ 207	\$ (17,864)
2,464	-	298	27	13,768
13	(737)	(1)	257	(1,003)
82	16,135	25	(70)	23,194
-	-	-	-	(12)
-	-	-	-	(102)
(809)	(2,287)	52	239	141
31	36	13	7	(469)
-	(3,968)	-	-	(3,968)
-	-	-	-	(181)
1,781	9,179	387	460	31,368
\$ 1,784	\$ (341)	\$ 320	\$ 667	\$ 13,504
\$ -	\$ -	\$ -	\$ -	\$ 4,320



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# FIDUCIARY FUNDS

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Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

## PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

## PRIVATE PURPOSE TRUST FUNDS

**Escheat Trust Fund.** This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

**College Savings Plan.** This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

**Other Private Purpose Trust Funds.** Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

## AGENCY FUNDS

**Local Government Fund.** This fund receives money for redistribution to counties and other political subdivisions.

**Other Agency Funds.** Library Services, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, the Health and Human Services System Trust Funds, and Omaha School Employees Retirement System.

## State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY NET POSITION

## PENSION TRUST FUNDS

June 30, 2017

(Dollars in Thousands)

	STATE EMPLOYEES RETIREMENT		
	DEFERRED COMPENSATION	DEFINED CONTRIBUTION	CASH BALANCE
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 25	\$ 9	\$ 176
Investments:			
U.S. Treasury Notes and Bonds	-	-	48,257
U.S. Treasury Bills	-	-	2,004
Government Agency Securities	-	-	1,332
Corporate Bonds	-	-	83,382
International Bonds	-	-	19,323
Equity Securities	-	-	192,198
Private Equity	-	-	63,428
Options	-	-	(15)
Mortgages	-	-	77,628
Private Real Estate	-	-	101,063
Adrs, GDRs & Trust	-	-	830
Asset Backed Securities	-	-	15,210
Bank Loans	-	-	32,686
Municipal Bonds	-	-	1,944
Commingled Funds	218,904	633,595	798,118
Short Term Investments	7,182	10,967	40,681
Total Investments	<u>226,086</u>	<u>644,562</u>	<u>1,478,069</u>
Securities Lending Collateral	-	-	33,664
Receivables:			
Contributions	-	823	3,484
Interest and Dividends	-	118	1,966
Other	-	74	60,910
Total Receivables	-	<u>1,015</u>	<u>66,360</u>
Due from Other Funds	-	-	-
Capital Assets:			
Buildings and Equipment	132	527	461
Less Accumulated Depreciation	(132)	(527)	(461)
Total Capital Assets	-	-	-
Total Assets	<u>\$ 226,111</u>	<u>\$ 645,586</u>	<u>\$ 1,578,269</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 3	\$ 42	\$ 128,451
Due to Other Governments	-	-	-
Due to Other Funds	2	3	12
Obligations under Securities Lending	-	-	33,664
Accrued Compensated Absences	10	18	56
Total Liabilities	<u>\$ 15</u>	<u>\$ 63</u>	<u>\$ 162,183</u>
<b>NET POSITION</b>			
Net Position Restricted for Pensions	<u>\$ 226,096</u>	<u>\$ 645,523</u>	<u>\$ 1,416,086</u>

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 53	\$ 63	\$ 5,194	\$ 160	\$ 132	\$ 5,812
-	14,583	315,630	5,140	11,316	394,926
-	606	-	-	-	2,610
-	403	27,037	440	970	30,182
-	25,198	604,345	9,841	21,667	744,433
-	5,839	166,046	2,704	5,953	199,865
-	58,081	1,330,559	21,666	47,703	1,650,207
-	19,168	459,555	7,483	16,476	566,110
-	(4)	49	1	2	33
-	23,459	500,669	8,153	17,950	627,859
-	30,540	691,384	11,258	24,787	859,032
-	251	3,073	50	110	4,314
-	4,596	130,554	2,126	4,681	157,167
-	9,877	231,830	3,775	8,312	286,480
-	587	5,435	88	195	8,249
194,632	241,186	6,422,843	104,586	237,320	8,851,184
2,821	14,798	189,346	3,083	7,142	276,020
197,453	449,168	11,078,355	180,394	404,584	14,658,671
-	10,173	144,503	2,353	5,181	195,874
341	1,724	22,808	311	-	29,491
33	595	13,745	224	490	17,171
20	18,406	796,977	12,978	28,573	917,938
394	20,725	833,530	13,513	29,063	964,600
-	-	45,929	119	2,541	48,589
264	264	4,812	66	66	6,592
(264)	(264)	(4,810)	(66)	(66)	(6,590)
-	-	2	-	-	2
<u>\$ 197,900</u>	<u>\$ 480,129</u>	<u>\$ 12,107,513</u>	<u>\$ 196,539</u>	<u>\$ 441,501</u>	<u>\$ 15,873,548</u>
\$ 14	\$ 38,144	\$ 1,080,777	\$ 17,575	\$ 39,169	\$ 1,304,175
-	-	6,897	-	-	6,897
2	8	83	1	1	112
-	10,173	144,503	2,353	5,181	195,874
10	35	287	4	10	430
<u>\$ 26</u>	<u>\$ 48,360</u>	<u>\$ 1,232,547</u>	<u>\$ 19,933</u>	<u>\$ 44,361</u>	<u>\$ 1,507,488</u>
<u>\$ 197,874</u>	<u>\$ 431,769</u>	<u>\$ 10,874,966</u>	<u>\$ 176,606</u>	<u>\$ 397,140</u>	<u>\$ 14,366,060</u>

State of Nebraska

# **COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ADDITIONS</b>			
Contributions:			
Participant Contributions	\$ 14,132	\$ 6,755	\$ 28,775
State Contributions	-	10,537	44,894
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	14,132	17,292	73,669
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	25,517	48,529	98,836
Interest and Dividend Income	-	3,782	18,612
Securities Lending Income	-	-	382
Total Investment Income	25,517	52,311	117,830
Investment Expenses	-	668	4,924
Securities Lending Expenses	-	-	158
Total Investment Expense	-	668	5,082
Net Investment Income	25,517	51,643	112,748
Other Additions	106	4	10
Total Additions	39,755	68,939	186,427
<b>DEDUCTIONS</b>			
Benefits	23,329	30,439	84,773
Refunds	-	-	-
Administrative Expenses	303	290	1,107
Other Deductions	-	-	27
Total Deductions	23,632	30,729	85,907
<b>TRANSFERS</b>			
Transfers In (Out)	-	(5,115)	5,115
Change in Net Position Restricted for Pensions	16,123	33,095	105,635
<b>NET POSITION-BEGINNING OF YEAR</b>	209,973	612,428	1,310,451
<b>NET POSITION-END OF YEAR</b>	\$ 226,096	\$ 645,523	\$ 1,416,086



COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 2,370	\$ 11,353	\$ 184,432	\$ 1,743	\$ 4,506	\$ 254,066
3,489	16,936	45,928	119	7,048	128,951
-	-	184,903	-	-	184,903
-	-	-	3,579	-	3,579
5,859	28,289	415,263	5,441	11,554	571,499
14,658	28,951	1,226,819	20,074	44,593	1,507,977
1,080	5,580	133,989	2,195	5,373	170,611
-	115	2,818	46	101	3,462
15,738	34,646	1,363,626	22,315	50,067	1,682,050
187	1,487	36,509	595	1,341	45,711
-	48	1,281	21	46	1,554
187	1,535	37,790	616	1,387	47,265
15,551	33,111	1,325,836	21,699	48,680	1,634,785
-	4	46	-	31	201
21,410	61,404	1,741,145	27,140	60,265	2,206,485
9,195	22,092	539,360	9,690	18,482	737,360
-	-	13,321	-	5,658	18,979
141	630	3,341	85	141	6,038
-	20	8,597	-	-	8,644
9,336	22,742	564,619	9,775	24,281	771,021
(1,679)	1,679	-	-	-	-
10,395	40,341	1,176,526	17,365	35,984	1,435,464
187,479	391,428	9,698,440	159,241	361,156	12,930,596
\$ 197,874	\$ 431,769	\$ 10,874,966	\$ 176,606	\$ 397,140	\$ 14,366,060

State of Nebraska

# **COMBINING STATEMENT OF FIDUCIARY NET POSITION** **PRIVATE PURPOSE TRUST FUNDS**

June 30, 2017

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,197	\$ 10,112	\$ 6,638	\$ 22,947
Investments:				
Commingled Funds	-	4,194,694	-	4,194,694
Receivables:				
Interest and Dividends	40	628	50	718
Other Assets	17,378	-	1,045	18,423
Total Assets	<u>\$ 23,615</u>	<u>\$ 4,205,434</u>	<u>\$ 7,733</u>	<u>\$ 4,236,782</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 12	\$ 7,727	\$ 3	\$ 7,742
Deposits	-	-	1,045	1,045
Due to Other Funds	10	-	-	10
Total Liabilities	<u>\$ 22</u>	<u>\$ 7,727</u>	<u>\$ 1,048</u>	<u>\$ 8,797</u>
<b>NET POSITION</b>				
Restricted for:				
College Savings Plan	\$ -	\$ 4,197,707	\$ -	\$ 4,197,707
Other Purposes	23,593	-	6,685	30,278
Total Net Position	<u>\$ 23,593</u>	<u>\$ 4,197,707</u>	<u>\$ 6,685</u>	<u>\$ 4,227,985</u>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ADDITIONS</b>				
Contributions:				
Participant Contributions	\$ -	\$ 379,941	\$ -	\$ 379,941
Client Contributions	-	-	1	1
Investment Income:				
Net Appreciation (Depreciation) in				
Fair Value of Investments	-	278,885	-	278,885
Interest and Dividend Income	183	4,964	140	5,287
Total Investment Income	183	283,849	140	284,172
Investment Expenses	-	18,936	-	18,936
Net Investment Income	183	264,913	140	265,236
Escheat Revenue	29,436	-	-	29,436
Other Additions	-	17	856	873
Total Additions	29,619	644,871	997	675,487
<b>DEDUCTIONS</b>				
Benefits	-	297,048	-	297,048
Amounts Distributed to Outside Parties	14,514	87	1,056	15,657
Administrative Expenses	1,087	-	45	1,132
Total Deductions	15,601	297,135	1,101	313,837
Change in Net Position Restricted for:				
College Savings Plan	-	347,736	-	347,736
Other Purposes	14,018	-	(104)	13,914
<b>NET POSITION-BEGINNING OF YEAR</b>	9,575	3,849,971	6,789	3,866,335
<b>NET POSITION-END OF YEAR</b>	\$ 23,593	\$ 4,197,707	\$ 6,685	\$ 4,227,985

State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2017

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 68,919	\$ 49,291	\$ 118,210
Investments:			
U.S. Treasury Notes and Bonds	-	19,127	19,127
Government Agency Securities	-	1,638	1,638
Corporate Bonds	-	36,623	36,623
International Bonds	-	10,062	10,062
Equity Securities	-	80,630	80,630
Private Equity	-	504,322	504,322
Options	-	3	3
Mortgages	-	30,325	30,325
Private Real Estate	-	41,897	41,897
Adr's, GDRs & Trust	-	186	186
Asset Backed Securities	-	7,911	7,911
Bank Loans	-	14,157	14,157
Municipal Bonds	-	329	329
Commingled Funds	-	389,216	389,216
Short Term Investments	-	67,155	67,155
Total Investments	\$ -	\$ 1,203,581	\$ 1,203,581
Securities Lending Collateral	-	8,757	8,757
Receivables:			
Interest and Dividends Receivable	350	1,362	1,712
Other	2	50,443	50,445
Total Receivables	\$ 352	\$ 51,805	\$ 52,157
Due from Other Funds	1,383	-	1,383
Total Assets	<u>\$ 70,654</u>	<u>\$ 1,313,434</u>	<u>\$ 1,384,088</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 172	\$ 90,283	\$ 90,455
Obligations under Securities Lending	-	8,757	8,757
Due to Other Governments	70,482	-	70,482
Other Liabilities	-	1,214,394	1,214,394
Total Liabilities	<u>\$ 70,654</u>	<u>\$ 1,313,434</u>	<u>\$ 1,384,088</u>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	BALANCE July 1, 2016	ADDITIONS	REDUCTIONS	BALANCE June 30, 2017
<b>LOCAL GOVERNMENT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 68,835	\$ 767,401	\$ 767,317	\$ 68,919
Receivables:				
Interest and Dividends Receivable	381	860	891	350
Other	-	8	6	2
Due from Other Funds	-	1,383	-	1,383
Total Assets	<u>\$ 69,216</u>	<u>\$ 769,652</u>	<u>\$ 768,214</u>	<u>\$ 70,654</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 151	\$ 321,739	\$ 321,718	\$ 172
Due to Other Governments	69,065	447,913	446,496	70,482
Total Liabilities	<u>\$ 69,216</u>	<u>\$ 769,652</u>	<u>\$ 768,214</u>	<u>\$ 70,654</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 39,763	\$ 547,728	\$ 538,200	\$ 49,291
Investments	-	1,203,581	-	1,203,581
Securities Lending Collateral	-	8,757	-	8,757
Receivables:				
Interest and Dividends Receivable	118	1,852	608	1,362
Other	597	63,047	13,201	50,443
Total Assets	<u>\$ 40,478</u>	<u>\$ 1,824,965</u>	<u>\$ 552,009</u>	<u>\$ 1,313,434</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 19,915	192,550	122,182	90,283
Obligations under Securities Lending	-	8,757	-	8,757
Other Liabilities	20,563	1,623,658	429,827	1,214,394
Total Liabilities	<u>\$ 40,478</u>	<u>\$ 1,824,965</u>	<u>\$ 552,009</u>	<u>\$ 1,313,434</u>
<b>TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 108,598	\$ 1,315,129	\$ 1,305,517	\$ 118,210
Investments	-	1,203,581	-	1,203,581
Securities Lending Collateral	-	8,757	-	8,757
Receivables:				
Interest and Dividends Receivable	499	2,712	1,499	1,712
Other	597	63,055	13,207	50,445
Due from Other Funds	-	1,383	-	1,383
Total Assets	<u>\$ 109,694</u>	<u>\$ 2,594,617</u>	<u>\$ 1,320,223</u>	<u>\$ 1,384,088</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 20,066	\$ 514,289	\$ 443,900	\$ 90,455
Obligations under Securities Lending	-	8,757	-	8,757
Due to Other Governments	69,065	447,913	446,496	70,482
Other Liabilities	20,563	1,623,658	429,827	1,214,394
Total Liabilities	<u>\$ 109,694</u>	<u>\$ 2,594,617</u>	<u>\$ 1,320,223</u>	<u>\$ 1,384,088</u>

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**BUDGETARY COMPARISON SCHEDULES**

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State of Nebraska

# BUDGETARY COMPARISON SCHEDULE

## CASH FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 181,984	\$ 181,984	\$ 181,984	\$ -
Federal Grants and Contracts	394,468	394,468	394,468	-
Sales and Charges	662,258	662,258	662,258	-
Other	191,090	191,090	191,090	-
Total Revenues	<u>1,429,800</u>	<u>1,429,800</u>	<u>1,429,800</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	304,746	307,723	275,789	31,934
Conservation of Natural Resources	194,682	195,516	82,011	113,505
Culture – Recreation	95,164	96,161	32,008	64,153
Economic Development and Assistance	116,206	116,238	31,695	84,543
Education	739,993	743,468	537,717	205,751
Health and Social Services	237,087	237,197	154,946	82,251
Public Safety	67,957	68,057	41,313	26,744
Regulation of Business and Professions	223,325	223,512	110,623	112,889
Transportation	962,355	962,355	869,353	93,002
Capital Projects	49,006	49,206	11,854	37,352
Total Expenditures	<u>2,990,521</u>	<u>2,999,433</u>	<u>2,147,309</u>	<u>852,124</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,560,721)</u>	<u>(1,569,633)</u>	<u>(717,509)</u>	<u>852,124</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,412,118	1,412,118	1,412,118	-
Transfers Out	(658,808)	(658,808)	(658,808)	-
Other	6,161	6,161	6,161	-
Total Other Financing Sources (Uses)	<u>759,471</u>	<u>759,471</u>	<u>759,471</u>	<u>-</u>
Net Change in Fund Balance	(801,250)	(810,162)	41,962	852,124
<b>FUND BALANCES, JULY 1</b>	<u>1,163,237</u>	<u>1,163,237</u>	<u>1,163,237</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 361,987</u>	<u>\$ 353,075</u>	<u>\$ 1,205,199</u>	<u>\$ 852,124</u>
A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2017, follows :				
Actual Fund Balances, budgetary basis, June 30, 2017				
Cash			\$ 1,205,199	
Construction			48,845	
Federal			45,834	
Revolving			<u>402,634</u>	
Budgetary fund balances			1,702,512	
Unbudgeted fund balances			3,644,939	
Non-major fund balances			(3,369,152)	
Differences due to basis of accounting			<u>(334,478)</u>	
GAAP fund balance, June 30, 2017			<u>\$ 1,643,821</u>	
Actual Fund Balances of Major Funds, June 30, 2017				
Highway			\$ 251,671	
Federal			5,814	
Health and Social Services			556,462	
Permanent School			<u>829,874</u>	
GAAP fund balance, June 30, 2017			<u>\$ 1,643,821</u>	

## State of Nebraska

**BUDGETARY COMPARISON SCHEDULE****CONSTRUCTION FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	1,420	1,420	1,420	-
Total Revenues	<u>1,420</u>	<u>1,420</u>	<u>1,420</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	34,630	34,630	15,407	19,223
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	75,185	75,185	22,318	52,867
Total Expenditures	<u>109,815</u>	<u>109,815</u>	<u>37,725</u>	<u>72,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(108,395)</u>	<u>(108,395)</u>	<u>(36,305)</u>	<u>72,090</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	-	-
Other	-	-	-	-
Net Change in Fund Balance	(108,395)	(108,395)	(36,305)	72,090
<b>FUND BALANCES, JULY 1</b>	<u>85,150</u>	<u>85,150</u>	<u>85,150</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (23,245)</u>	<u>\$ (23,245)</u>	<u>\$ 48,845</u>	<u>\$ 72,090</u>



## State of Nebraska

**BUDGETARY COMPARISON SCHEDULE****FEDERAL FUNDS**

For the Year Ended June 30, 2017

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	2,653,843	2,653,843	2,653,843	-
Sales and Charges	19,868	19,868	19,868	-
Other	3,610	3,610	3,610	-
Total Revenues	<u>2,677,321</u>	<u>2,677,321</u>	<u>2,677,321</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	8,828	9,120	4,753	4,367
Conservation of Natural Resources	64,729	67,996	51,820	16,176
Culture – Recreation	4,038	4,948	3,647	1,301
Economic Development and Assistance	123,068	123,329	55,543	67,786
Education	1,080,699	1,082,099	881,526	200,573
Health and Social Services	2,605,700	2,614,532	1,605,424	1,009,108
Public Safety	95,037	126,225	57,948	68,277
Regulation of Business and Professions	4,307	4,331	2,028	2,303
Transportation	-	-	-	-
Capital Projects	74,005	74,005	28,430	45,575
Total Expenditures	<u>4,060,411</u>	<u>4,106,585</u>	<u>2,691,119</u>	<u>1,415,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,383,090)</u>	<u>(1,429,264)</u>	<u>(13,798)</u>	<u>1,415,466</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	36,562	36,562	36,562	-
Transfers Out	(35,893)	(35,893)	(35,893)	-
Other	1,306	1,306	1,306	-
Total Other Financing Sources (Uses)	<u>1,975</u>	<u>1,975</u>	<u>1,975</u>	<u>-</u>
Net Change in Fund Balance	(1,381,115)	(1,427,289)	(11,823)	1,415,466
<b>FUND BALANCES, JULY 1</b>	<u>57,657</u>	<u>57,657</u>	<u>57,657</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (1,323,458)</u>	<u>\$ (1,369,632)</u>	<u>\$ 45,834</u>	<u>\$ 1,415,466</u>

## State of Nebraska

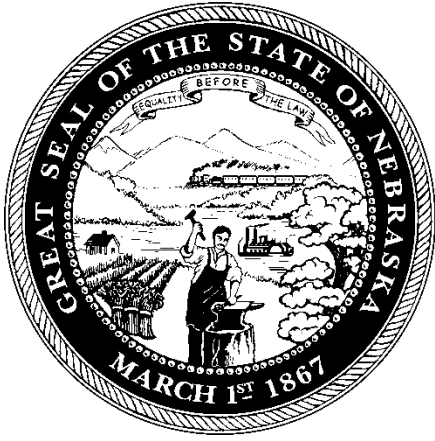
# BUDGETARY COMPARISON SCHEDULE

## REVOLVING FUNDS

For the Year Ended June 30, 2017

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ (3)	\$ (3)	\$ (3)	-
Federal Grants and Contracts	3,012	3,012	3,012	-
Sales and Charges	616,933	616,933	616,933	-
Other	187,542	187,542	187,542	-
Total Revenues	807,484	807,484	807,484	-
<b>EXPENDITURES</b>				
Current:				
General Government	268,586	273,585	198,701	74,884
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	665	665	645	20
Education	852,868	851,362	619,246	232,116
Health and Social Services	-	-	-	-
Public Safety	23,297	23,297	17,474	5,823
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	1,145,416	1,148,909	836,066	312,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	(337,932)	(341,425)	(28,582)	312,843
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	121,487	121,487	121,487	-
Transfers Out	(94,105)	(94,105)	(94,105)	-
Other	2,994	2,994	2,994	-
Total Other Financing Sources (Uses)	30,376	30,376	30,376	-
Net Change in Fund Balance	(307,556)	(311,049)	1,794	312,843
<b>FUND BALANCES, JULY 1</b>	400,840	400,840	400,840	-
<b>FUND BALANCES, JUNE 30</b>	\$ 93,284	\$ 89,791	\$ 402,634	\$ 312,843



## STATISTICAL SECTION

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**STATISTICAL SECTION TABLE OF CONTENTS**For the Year Ended June 30, 2017

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This part of the State of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

**FINANCIAL TRENDS INFORMATION**

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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**REVENUE CAPACITY INFORMATION**

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**DEBT CAPACITY INFORMATION**

The State has no debt because the Nebraska State Constitution prohibits the State's debt from exceeding, in the aggregate, one hundred thousand dollars. However, the State does have leasing arrangements; such information is provided in this section.

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**DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

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**OPERATING INFORMATION**

These schedules contain information about the State's operations and resources to help the reader understand how the State's financial information relates to the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

State of Nebraska

**NET POSITION BY COMPONENT**

2008 - 2017

(Dollars in Thousands)					
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 7,587,729	\$ 7,718,610	\$ 7,820,246	\$ 7,982,821	\$ 8,041,150
Restricted	1,789,943	1,631,962	1,754,186	2,006,750	2,083,822
Unrestricted	1,078,546	1,015,196	850,757	806,676	905,503
Total governmental activities net position	\$ 10,456,218	\$ 10,365,768	\$ 10,425,189	\$ 10,796,247	\$ 11,030,475
Business-type activities					
Net investment in capital assets	\$ 6,426	\$ 6,283	\$ 5,848	\$ 6,809	\$ 6,379
Restricted	344,186	270,394	240,878	345,731	405,135
Unrestricted	47,777	47,082	72,173	65,690	77,262
Total business-type activities net position	\$ 398,389	\$ 323,759	\$ 318,899	\$ 418,230	\$ 488,776
Primary government					
Net investment in capital assets	\$ 7,594,155	\$ 7,724,893	\$ 7,826,094	\$ 7,989,630	\$ 8,047,529
Restricted	2,134,129	1,902,356	1,995,064	2,352,481	2,488,957
Unrestricted	1,126,323	1,062,278	922,930	872,366	982,765
Total primary government net position	\$ 10,854,607	\$ 10,689,527	\$ 10,744,088	\$ 11,214,477	\$ 11,519,251

(Dollars in Thousands)					
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 8,468,618	\$ 8,571,554	\$ 8,673,916	\$ 8,757,532	\$ 8,888,705
Restricted	2,217,372	2,431,057	2,495,373	2,554,449	2,708,755
Unrestricted	1,193,571	1,401,782	1,156,733	968,515	550,525
Total governmental activities net position	\$ 11,879,561	\$ 12,404,393	\$ 12,326,022	\$ 12,280,496	\$ 12,147,985
Business-type activities					
Net investment in capital assets	\$ 7,362	\$ 7,255	\$ 7,030	\$ 6,870	\$ 7,682
Restricted	440,849	462,064	466,735	490,408	502,646
Unrestricted	80,149	87,763	87,538	87,761	78,185
Total business-type activities net position	\$ 528,360	\$ 557,082	\$ 561,303	\$ 585,039	\$ 588,513
Primary government					
Net investment in capital assets	\$ 8,475,980	\$ 8,578,809	\$ 8,680,946	\$ 8,764,402	\$ 8,896,387
Restricted	2,658,221	2,893,121	2,962,108	3,044,857	3,211,401
Unrestricted	1,273,720	1,489,545	1,244,271	1,056,276	628,710
Total primary government net position	\$ 12,407,921	\$ 12,961,475	\$ 12,887,325	\$ 12,865,535	\$ 12,736,498

NOTE: Prior year amounts have not been adjusted for the 2017 restatement of capital assets

State of Nebraska

# CHANGES IN NET POSITION

2008 - 2017

(Dollars in Thousands)

	2008	2009	2010	2011
<b>Governmental Activities:</b>				
Expenses				
General Government	\$ 437,830	\$ 468,433	\$ 471,614	\$ 476,622
Conservation of Natural Resources	112,936	127,677	148,452	155,692
Culture - Recreation	26,073	29,272	24,228	28,837
Economic Development and Assistance	84,852	88,520	95,228	111,096
Education	1,450,085	1,562,662	1,712,705	1,807,170
Higher Education - Colleges and University	558,282	571,268	571,288	561,090
Health and Social Services	2,744,217	2,912,708	3,010,299	3,069,195
Public Safety	372,677	351,673	372,813	361,921
Regulation of Business and Professions	130,603	123,579	132,094	121,616
Transportation	714,032	797,462	736,449	696,727
Interest on Long-term Debt	2,241	1,828	1,400	1,153
Net Pension Expense	-	-	-	-
Total expenses	6,633,828	7,035,082	7,276,570	7,391,119
Program Revenues				
Charges for Services:				
General Government	86,869	87,575	100,501	88,550
Conservation of Natural Resources	34,439	35,324	35,483	36,263
Culture - Recreation	17,072	18,153	18,550	18,657
Economic Development and Assistance	4,808	2,259	2,171	1,007
Education	25,807	30,402	34,166	36,545
Health and Social Services	126,075	148,971	109,333	112,145
Public Safety	25,118	25,363	25,320	26,973
Regulation of Business and Professions	122,667	132,771	131,814	135,820
Transportation	105,748	112,493	95,950	98,151
Operating grants and contributions	2,235,104	2,490,255	2,841,557	2,939,166
Capital grants and contributions	21,258	25,252	24,680	29,234
Total program revenues	2,804,965	3,108,818	3,419,525	3,522,511
Total Governmental Activities				
Net Program Expense	(3,828,863)	(3,926,264)	(3,857,045)	(3,868,608)
General Revenues and Other Changes in Net Position				
Taxes				
Income taxes	1,956,656	1,787,950	1,676,829	1,889,796
Sales and use taxes	1,481,067	1,476,995	1,447,865	1,545,494
Petroleum taxes	290,721	305,793	303,865	321,919
Excise taxes	141,012	134,877	132,779	135,250
Business and franchise taxes	80,925	70,270	79,115	65,630
Other taxes	15,269	10,863	13,436	9,243
Total taxes	3,965,650	3,786,748	3,653,889	3,967,332
Unrestricted investment earnings	114,252	14,582	216,190	214,054
Miscellaneous	3,374	401	(1,927)	2,590
Contributions to permanent fund principal	12,301	3,838	16,314	23,635
Transfers	31,008	30,245	32,000	32,055
Total general revenues and other changes in net position	4,126,585	3,835,814	3,916,466	4,239,666
Total Governmental Activities				
Change in Net Position	\$ 297,722	\$ (90,450)	\$ 59,421	\$ 371,058

NOTE: Prior year amounts have not been adjusted for the 2017 restatement of capital assets.

2012	2013	2014	2015	2016	2017
\$ 460,612	\$ 458,483	\$ 507,065	\$ 548,000	\$ 631,739	\$ 650,253
151,318	143,437	143,324	149,492	144,326	145,919
24,752	31,114	30,532	31,410	37,118	37,513
102,839	96,433	89,109	109,318	99,611	102,348
1,570,235	1,645,097	1,712,015	1,723,893	1,799,893	1,811,058
557,162	572,341	618,033	651,138	676,456	663,979
3,139,786	3,195,733	3,241,947	3,350,345	3,477,627	3,616,020
366,084	384,081	376,449	408,096	409,403	395,782
122,211	134,172	123,879	125,207	118,005	116,590
905,498	859,289	919,679	981,999	1,096,243	1,040,906
1,204	784	627	1,289	192	559
-	-	-	29,409	79,670	81,603
7,401,701	7,520,964	7,762,659	8,109,596	8,570,283	8,662,530
95,899	82,247	90,336	90,319	95,871	99,001
32,804	37,019	34,550	33,624	39,476	39,880
22,984	20,513	20,225	22,752	25,725	28,569
4,126	1,245	2,529	1,758	1,065	1,234
36,831	47,751	46,522	49,350	51,790	50,208
120,745	128,012	125,285	130,645	124,134	127,310
26,322	33,012	33,265	34,918	37,731	38,369
131,312	140,910	131,969	139,275	129,750	128,818
110,842	107,008	112,175	109,427	110,984	125,831
2,646,825	2,704,464	2,622,119	2,648,173	2,719,366	2,765,857
15,789	20,040	18,657	3,320	946	1,067
3,244,479	3,322,221	3,237,632	3,263,561	3,336,838	3,406,144
(4,157,222)	(4,198,743)	(4,525,027)	(4,846,035)	(5,233,445)	(5,256,386)
2,064,233	2,362,511	2,387,039	2,578,226	2,520,240	2,507,059
1,638,610	1,661,208	1,792,176	1,829,956	1,827,206	1,834,043
322,284	323,519	344,335	345,357	363,824	371,744
136,825	130,725	128,281	129,390	133,620	132,308
73,849	78,204	104,366	85,959	109,649	100,595
9,818	7,849	7,579	7,117	6,404	8,271
4,245,619	4,564,016	4,763,776	4,976,005	4,960,943	4,954,020
92,037	96,522	223,246	88,736	144,734	108,912
-	1,518	3,322	1,548	2,159	3,733
17,719	26,453	21,241	19,331	24,712	(868)
36,075	40,014	38,274	56,299	49,414	43,590
4,391,450	4,728,523	5,049,859	5,141,919	5,181,962	5,109,387
\$ 234,228	\$ 529,780	\$ 524,832	\$ 295,884	\$ (51,483)	\$ (146,999)

(continued)

State of Nebraska

**CHANGES IN NET POSITION (Continued)**

2008 - 2017

(Dollars in Thousands)

	2008	2009	2010	2011
<b>Business-type Activities:</b>				
Expenses				
Unemployment Insurance	\$ 98,365	\$ 242,201	\$ 431,836	\$ 329,576
Lottery	91,653	94,676	98,948	101,625
Excess Liability	(2,707)	12,430	7,220	19,623
Cornhusker State Industries	10,435	10,221	11,847	13,451
Total expenses	<u>197,746</u>	<u>359,528</u>	<u>549,851</u>	<u>464,275</u>
Revenues				
Charges for services:				
Unemployment Insurance	102,881	149,937	391,067	422,977
Lottery	121,910	123,251	130,580	131,919
Excess Liability	10,947	9,267	21,475	8,943
Cornhusker State Industries	9,880	9,412	13,549	15,568
Total revenues	<u>245,618</u>	<u>291,867</u>	<u>556,671</u>	<u>579,407</u>
Total Business-type Activities				
Net Program Expense	<u>47,872</u>	<u>(67,661)</u>	<u>6,820</u>	<u>115,132</u>
Other Changes in Net Position				
Unrestricted investment earnings	23,347	23,276	20,293	16,254
Miscellaneous	-	-	27	-
Transfers	<u>(31,008)</u>	<u>(30,245)</u>	<u>(32,000)</u>	<u>(32,055)</u>
Total other changes in net position	<u>(7,661)</u>	<u>(6,969)</u>	<u>(11,680)</u>	<u>(15,801)</u>
Total Business-type Activities				
Change in Net Position	<u>\$ 40,211</u>	<u>\$ (74,630)</u>	<u>\$ (4,860)</u>	<u>\$ 99,331</u>
<b>Total Primary Government</b>				
Change in Net Position	<u>\$ 337,933</u>	<u>\$ (165,080)</u>	<u>\$ 54,561</u>	<u>\$ 470,389</u>

**NOTE:** The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession, and the decreases in taxes and fund balances in 2016 and 2017 were primarily due to the slow recovery of the agricultural sector.



2012	2013	2014	2015	2016	2017
\$ 261,750	\$ 167,957	\$ 122,351	\$ 93,612	\$ 78,747	\$ 75,593
113,935	120,515	121,046	123,278	135,819	132,417
672	3,850	1,174	5,755	9,010	21,131
11,621	9,271	11,582	13,066	13,830	17,018
<u>387,978</u>	<u>301,593</u>	<u>256,153</u>	<u>235,711</u>	<u>237,406</u>	<u>246,159</u>
310,188	194,996	133,665	107,613	97,748	81,154
150,612	160,753	157,896	159,968	179,473	173,819
5,509	4,946	5,478	4,519	3,928	5,319
12,053	10,299	11,336	12,099	13,505	21,633
<u>478,362</u>	<u>370,994</u>	<u>308,375</u>	<u>284,199</u>	<u>294,654</u>	<u>281,925</u>
90,384	69,401	52,222	48,488	57,248	35,766
16,237	10,197	14,772	12,018	15,882	11,254
-	-	2	14	20	44
<u>(36,075)</u>	<u>(40,014)</u>	<u>(38,274)</u>	<u>(56,299)</u>	<u>(49,414)</u>	<u>(43,590)</u>
<u>(19,838)</u>	<u>(29,817)</u>	<u>(23,500)</u>	<u>(44,267)</u>	<u>(33,512)</u>	<u>(32,292)</u>
\$ 70,546	\$ 39,584	\$ 28,722	\$ 4,221	\$ 23,736	\$ 3,474
<u>\$ 304,774</u>	<u>\$ 569,364</u>	<u>\$ 553,554</u>	<u>\$ 300,105</u>	<u>\$ (27,747)</u>	<u>\$ (143,525)</u>



State of Nebraska

**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**2008 - 2017**

(Dollars in thousands)

	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 1,368	\$ 1,062	\$ 894	\$ -	\$ -
Unreserved	972,307	855,542	715,530	-	-
Nonspendable	-	-	-	785	953
Committed	-	-	-	313,202	383,379
Unassigned	-	-	-	419,460	430,466
Total general fund	<u>\$ 973,675</u>	<u>\$ 856,604</u>	<u>\$ 716,424</u>	<u>\$ 733,447</u>	<u>\$ 814,798</u>
All Other Governmental Funds					
Reserved	\$ 687,095	\$ 694,503	\$ 729,377	\$ -	\$ -
Unreserved					
Special revenue funds	1,065,392	997,377	1,062,679	-	-
Permanent funds	91,759	23,073	67,754	-	-
Other funds	121,686	118,933	82,371	-	-
Nonspendable	-	-	-	468,363	490,928
Restricted	-	-	-	1,543,263	1,601,306
Committed	-	-	-	69,619	73,327
Assigned	-	-	-	32,439	37,032
Total all other governmental funds	<u>\$ 1,965,932</u>	<u>\$ 1,833,886</u>	<u>\$ 1,942,181</u>	<u>\$ 2,113,684</u>	<u>\$ 2,202,593</u>

(Dollars in thousands)

	2013	2014	2015	2016	2017
General Fund					
Nonspendable	1,114	1,802	1,580	1,087	2,239
Committed	384,121	719,065	727,835	730,655	680,655
Unassigned	648,092	540,891	614,763	396,669	67,443
Total general fund	<u>\$ 1,033,327</u>	<u>\$ 1,261,758</u>	<u>\$ 1,344,178</u>	<u>\$ 1,128,411</u>	<u>\$ 750,337</u>
All Other Governmental Funds					
Nonspendable	514,985	536,087	550,082	555,720	575,587
Restricted	1,697,151	1,889,186	1,931,112	1,983,398	2,120,008
Committed	135,605	124,154	99,358	113,034	71,320
Assigned	45,708	46,813	50,094	46,237	43,057
Total all other governmental funds	<u>\$ 2,393,449</u>	<u>\$ 2,596,240</u>	<u>\$ 2,630,646</u>	<u>\$ 2,698,389</u>	<u>\$ 2,809,972</u>

**NOTE:** The classification of fund balances changed in 2011 with the implementation of GASB Statement No. 54.

State of Nebraska  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 2008 - 2017

(Dollars in Thousands)

	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes:				
Income	\$ 1,950,363	\$ 1,790,025	\$ 1,675,922	\$ 1,889,223
Sales and Use	1,474,251	1,475,234	1,452,362	1,544,303
Petroleum	295,321	309,626	307,005	326,016
Excise	138,799	134,877	132,779	135,250
Business and Franchise	80,925	70,270	79,115	65,630
Other	15,269	10,863	13,436	9,243
Total Taxes	3,954,928	3,790,895	3,660,619	3,969,665
Federal Grants and Contracts	2,256,362	2,514,288	2,865,989	2,967,939
Licenses, Fees and Permits	259,000	268,817	266,899	282,078
Charges for Services	108,301	137,234	96,165	96,779
Investment Income	110,716	10,508	212,353	209,509
Rental Income	51,809	54,549	49,286	55,158
Other	129,861	123,953	146,216	123,754
Total Revenues	6,870,977	6,900,244	7,297,527	7,704,882
<b>EXPENDITURES</b>				
Current:				
General Government	430,310	439,614	439,330	450,474
Conservation of Natural Resources	112,333	127,562	149,556	156,268
Culture – Recreation	26,226	28,305	30,183	30,290
Economic Development and Assistance	85,807	88,824	96,584	113,506
Education	1,448,170	1,565,692	1,710,935	1,810,806
Higher Education - Colleges and University	558,282	571,268	571,288	561,090
Health and Social Services	2,715,383	2,920,472	3,004,678	3,079,889
Public Safety	383,156	370,605	351,084	375,334
Regulation of Business and Professions	130,330	123,476	131,884	122,852
Transportation	853,521	915,980	842,583	832,394
Capital Projects	27,289	25,333	30,584	16,676
Debt Service				
Principal	6,215	7,625	6,105	3,380
Interest	1,459	1,256	976	647
Total Expenditures	6,778,481	7,186,012	7,365,770	7,553,606
Excess (Deficiency) of Revenues Over (Under) Expenditures	92,496	(285,768)	(68,243)	151,276
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	253,986	171,202	226,156	175,684
Transfers Out	(222,978)	(140,957)	(194,156)	(143,629)
Other	2,847	6,406	4,358	5,195
Net Change in Fund Balances	126,351	(249,117)	(31,885)	188,526
Restatements	-	-	-	-
<b>BEGINNING FUND BALANCE (as restated)</b>	2,813,256	2,939,607	2,690,490	2,658,605
<b>ENDING FUND BALANCE</b>	\$ 2,939,607	\$ 2,690,490	\$ 2,658,605	\$ 2,847,131
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<1%	<1%	<1%	<1%

**NOTE:** The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession, and the decreases in taxes and fund balances in 2016 and 2017 were primarily due to the slow recovery of the agricultural sector.

2012	2013	2014	2015	2016	2017
\$ 2,063,322	\$ 2,362,392	\$ 2,387,255	\$ 2,576,621	\$ 2,517,537	\$ 2,506,432
1,634,346	1,659,029	1,784,367	1,833,701	1,828,465	1,834,868
327,295	328,253	350,648	349,721	365,695	373,685
136,825	130,725	128,281	129,390	133,620	132,308
73,849	78,204	104,366	85,959	109,649	100,595
9,818	7,849	7,579	7,117	6,404	8,271
4,245,455	4,566,452	4,762,496	4,982,509	4,961,370	4,956,159
2,662,605	2,724,454	2,639,975	2,651,355	2,720,258	2,766,923
295,286	333,431	312,889	318,198	322,736	341,758
102,633	85,517	94,454	109,207	112,984	117,265
87,948	93,086	220,595	86,211	141,897	106,374
57,838	67,487	65,471	70,910	74,941	72,672
124,973	122,788	110,879	116,072	111,279	88,774
7,576,738	7,993,215	8,206,759	8,334,462	8,445,465	8,449,925
420,143	422,689	465,818	551,297	623,393	628,342
150,970	144,284	144,628	151,308	145,218	146,814
28,434	30,550	31,014	38,653	44,313	42,613
102,902	96,759	89,382	109,976	100,007	102,623
1,581,956	1,641,158	1,708,712	1,774,095	1,842,774	1,853,583
557,162	572,341	618,033	651,138	676,456	663,979
3,139,042	3,194,565	3,217,372	3,355,065	3,477,074	3,655,813
378,982	395,095	377,086	414,235	417,785	398,090
122,025	134,223	123,349	125,099	117,894	116,982
932,445	974,324	1,025,623	1,076,805	1,175,832	1,114,119
28,123	21,070	12,164	19,824	28,174	37,527
2,865	4,755	2,110	6,995	1,425	2,025
684	344	260	1,090	7	6
7,445,733	7,632,157	7,815,551	8,275,580	8,650,352	8,762,516
131,005	361,058	391,208	58,882	(204,887)	(312,591)
170,673	204,413	127,212	249,057	249,761	205,177
(134,598)	(164,399)	(88,938)	(192,758)	(200,347)	(161,587)
1,505	1,440	1,740	1,645	1,492	2,195
168,585	402,512	431,222	116,826	(153,981)	(266,806)
-	6,873	1,675	-	5,957	315
2,847,131	3,015,716	3,425,101	3,857,998	3,974,824	3,826,800
\$ 3,015,716	\$ 3,425,101	\$ 3,857,998	\$ 3,974,824	\$ 3,826,800	\$ 3,560,309
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

# INDIVIDUAL INCOME TAX RATES

2008 - 2017

	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
<b>Single</b>				
2008 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2016 Income Range	\$0-3,060	\$3,060-18,370	\$18,370-29,590	Over \$29,590
2017 Income Range	\$0-3,090	\$3,090-18,510	\$18,510-29,830	Over \$29,830
2008 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2017 Rates	2.46%	3.51%	5.01%	6.84%
<b>Heads of Household</b>				
2008 - 2013 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2014 Income Range	\$0-5,600	\$5,600-28,800	\$28,800-43,000	Over \$43,000
2015 Income Range	\$0-5,690	\$5,690-29,260	\$29,260-43,680	Over \$43,680
2016 Income Range	\$0-5,710	\$5,710-29,390	\$29,390-43,880	Over \$43,880
2017 Income Range	\$0-5,760	\$5,760-29,620	\$29,620-44,230	Over \$44,230
2008 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2017 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Joint</b>				
2008 - 2013 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2014 Income Range	\$0-6,000	\$6,000-36,000	\$36,000-58,000	Over \$58,000
2015 Income Range	\$0-6,090	\$6,090-36,570	\$36,570-58,920	Over \$58,920
2016 Income Range	\$0-6,120	\$6,120-36,730	\$36,730-59,180	Over \$59,180
2017 Income Range	\$0-6,170	\$6,170-37,030	\$37,030-59,660	Over \$59,660
2008 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2017 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Separate</b>				
2008 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2016 Income Range	\$0-3,060	\$3,060-18,370	\$18,370-29,590	Over \$29,590
2017 Income Range	\$0-3,090	\$3,090-18,510	\$18,510-29,830	Over \$29,830
2008 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2017 Rates	2.46%	3.51%	5.01%	6.84%

**SOURCE:** Nebraska Department of Revenue

State of Nebraska

# INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 2005 and 2014

2005				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,000	115,981	\$ 4,649,239	57,902	0.33%
\$10,000 - 24,999	188,779	\$ 40,561,585	177,637	2.87%
\$25,000 - 49,999	220,451	\$ 180,707,651	216,416	12.78%
\$50,000 - 99,999	200,671	\$ 454,323,554	198,792	32.13%
\$100,000 and Over	81,900	\$ 733,978,782	79,537	51.90%
State Total	807,782	\$ 1,414,220,811	730,284	100.00%

2014				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,000	137,012	\$ 4,028,782	43,390	0.19%
\$10,000 - 24,999	189,544	\$ 26,531,570	174,497	1.25%
\$25,000 - 49,999	235,273	\$ 165,935,941	230,007	7.83%
\$50,000 - 99,999	237,666	\$ 495,181,213	234,049	23.36%
\$100,000 and Over	172,000	\$ 1,428,108,566	166,633	67.37%
State Total	971,495	\$ 2,119,786,072	848,576	100.00%

SOURCE: Department of Revenue 2005 and 2014 Annual Reports; [www.revenue.nebraska.gov](http://www.revenue.nebraska.gov)

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.  
Tax year 2014 is the most recent year for which data is available.

State of Nebraska

# **TAXABLE SALES BY INDUSTRY**

Calendar Years 2007 and 2016

	2007	2016
Agriculture, Forestry, Fishing & Hunting	\$ 72,350,919	\$ 69,601,996
Mining	40,585,315	45,131,675
Utilities	1,922,409,502	2,357,779,646
Construction	775,524,026	616,844,481
Manufacturing	571,180,577	543,104,481
Wholesale Trade	1,441,429,593	1,437,422,450
Retail Trade	9,083,221,385	10,923,919,946
Transportation	88,225,107	88,216,869
Warehousing Services	30,265,335	30,320,208
Information	925,191,945	899,008,377
Finance & Insurance	42,748,400	23,293,292
Real Estate, Rental & Leasing Services	268,525,309	272,241,881
Professional, Scientific & Technical Services	305,303,482	355,444,043
Management of Companies & Enterprises Services	5,221,920	3,724,244
Administration, Support, Waste Management, Remedial Services	508,235,896	520,506,613
Educational Services	67,411,731	22,912,372
Health Care & Social Assistance Services	38,888,722	43,539,865
Arts, Entertainment & Recreation Services	300,748,123	366,146,004
Accommodation & Food Services	2,484,909,462	3,609,843,586
Other Services	765,970,790	966,743,784
Public Administration	123,731,323	273,085,595
Unclassified	10,660,823	2,203,566
Nebraska Total	19,872,739,685	23,471,034,974
Non-Nebraska (1)	3,462,215,316	5,795,688,962
Nebraska - Total Sales	\$ 23,334,955,001	\$ 29,266,723,936
Direct sales tax rate	Jan. 1 - Dec. 31 5.5%	Jan. 1 - Dec. 31 5.5%

**SOURCE:** Nebraska Department of Revenue - Annual Report  
Sales Tax Statistics by Nebraska Business Classification

**NOTES:** (1) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.



State of Nebraska

# **RATIOS OF OUTSTANDING DEBT**

2008 - 2017

(Dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Lease rental bonds (blended component units)	\$ 10,835	\$ 4,850	- \$	- \$	- \$	- \$	\$ -	- \$	- \$	-
Capital leases under certificates of participation	19,509	22,182	23,181	27,308	25,358	22,716	18,175	15,475	34,780	29,450
Obligations under other financing arrangements	14,785	15,660	14,405	16,220	14,860	6,315	5,565	-	-	-
<b>Total Primary Government</b>	<b>\$ 45,129</b>	<b>\$ 42,692</b>	<b>\$ 37,586</b>	<b>\$ 43,528</b>	<b>\$ 40,218</b>	<b>\$ 29,031</b>	<b>\$ 23,740</b>	<b>\$ 15,475</b>	<b>\$ 34,780</b>	<b>\$ 29,450</b>
<b>Debt as a Percentage of Personal Income</b>	0.07%	0.06%	0.05%	0.06%	0.05%	0.03%	0.03%	0.02%	0.04%	0.03%
<b>Amount of Debt per Capita</b>	<b>\$ 25</b>	<b>\$ 24</b>	<b>\$ 21</b>	<b>\$ 24</b>	<b>\$ 22</b>	<b>\$ 16</b>	<b>\$ 13</b>	<b>\$ 8</b>	<b>\$ 18</b>	<b>15</b>

**NOTE:** Details regarding Lease Commitments, Obligations Under Other Financing Arrangements, and Bonds Payable can be found in CAFR Notes 8, 9 & 14 of the financial statements.  
Population figures from the Population, Personal and Per Capita Income schedule.

State of Nebraska

# COMPARATIVE UNEMPLOYMENT NEBRASKA AND UNITED STATES

2007 - 2016

YEAR	NEBRASKA			NEBRASKA	UNITED STATES
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNEMPLOYMENT AS PERCENT OF LABOR FORCE
2007	978,763	949,494	29,269	3.0 %	4.6 %
2008	989,757	956,759	32,998	3.3	5.8
2009	991,583	945,648	45,935	4.6	9.3
2010	993,506	947,155	46,351	5.0	9.6
2011	1,003,452	958,813	44,639	4.4	8.9
2012	1,015,087	974,138	40,949	4.0	8.1
2013	1,018,435	979,379	39,057	3.8	7.4
2014	1,011,918	978,208	33,710	3.3	6.2
2015	1,008,616	977,465	31,151	3.1	5.3
2016	1,011,180	978,261	32,919	3.3	4.9

**SOURCE:** Nebraska Statistics - Nebraska Department of Labor, Labor Market Information  
United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

# POPULATION, PERSONAL AND PER CAPITA INCOME NEBRASKA AND UNITED STATES

Calendar Years 2007 – 2016

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
2007	1,774,571	64,220	36,189	301,621,157	11,631,571	38,564
2008	1,783,432	69,820	39,150	304,059,724	12,225,589	40,208
2009	1,796,619	70,565	39,277	307,006,550	12,165,474	39,626
2010	1,830,429	72,620	39,674	309,349,689	12,357,113	39,945
2011	1,842,641	78,220	42,450	311,591,917	12,949,905	41,560
2012	1,855,525	83,521	45,012	313,914,040	13,729,063	43,735
2013	1,868,516	86,013	46,033	316,128,839	14,081,242	44,543
2014	1,881,503	88,569	47,073	318,857,056	14,708,582	46,129
2015	1,896,190	92,048	48,544	321,418,820	15,463,981	48,112
2016	1,907,116	95,411	50,029	323,127,513	15,912,777	49,246

**SOURCE:** U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

# TEN LARGEST EMPLOYERS

2015 and 2006

	December 2015			December 2006		
	Total	Employment	983,856	Total	Employment	945,270
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
University of Nebraska *	1	16,563	1.683	3	14,164	1.498
State of Nebraska (excluding University)	2	16,445	1.671	1	16,721	1.769
Alegent Health	3	11,512	1.170	6	6,000	0.635
Tyson Foods, Inc.	4	10,760	1.094	4	11,000	1.164
Walmart	5	9,605	0.976	5	9,755	1.032
Omaha Public Schools	6	7,351	0.747	7	5,832	0.617
Hy-Vee Food Stores	7	6,210	0.631	10	4,843	0.512
Crete Carrier	8	6,000	0.610	16	3,040	0.322
Lincoln Public Schools	9	5,839	0.593	8	5,501	0.582
First National Bank	10	4,440	0.451	11	4,651	0.492
US Government (excluding Department of Defense) **				2	15,403	1.629
First Data Corp.				9	5,470	0.579

**SOURCE:** The Nebraska Department of Economic Development,  
Hoovers, a Dun and Bradstreet data base, and Employers

**NOTES:**

\* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

\*\* Sources did not track US Government employment in Nebraska

State of Nebraska

# **PUBLIC AND STATE OPERATED SCHOOL ENROLLMENT** **PREKINDERGARTEN – GRADE 12**

2007/08 – 2016/17

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
2007 – 2008	32,666	63,964	61,471	65,729	67,281	291,111
2008 – 2009	33,835	65,227	62,079	64,839	66,517	292,497
2009 – 2010	35,525	66,401	63,340	64,349	65,737	295,352
2010 – 2011	36,171	67,702	64,688	64,429	65,560	298,550
2011 – 2012	36,682	68,470	65,974	64,341	65,850	301,317
2012 – 2013	35,926	69,224	66,951	65,127	66,277	303,505
2013 – 2014	38,482	68,140	68,182	66,369	66,504	307,677
2014 - 2015	39,204	69,398	68,988	67,843	67,202	312,635
2015 - 2016	39,039	69,979	69,688	68,560	68,749	316,015
2016 - 2017	38,750	71,445	69,071	70,133	69,795	319,194

**SOURCE:** Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

# **PUBLIC HIGHER EDUCATION INSTITUTIONS** **TOTAL FALL HEADCOUNT ENROLLMENT**

2007 - 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	2,660	2,649	2,712	2,759	2,851	2,994	3,056	3,033	2,993	2,977
Peru State College	2,307	2,328	2,492	2,518	2,358	2,390	2,422	2,499	2,506	2,571
Wayne State College	3,527	3,566	3,631	3,569	3,517	3,555	3,506	3,470	3,431	3,357
University of Nebraska										
Lincoln (1)	22,877	23,862	24,525	24,993	24,926	24,538	24,745	25,390	25,772	26,239
Omaha	14,156	14,213	14,620	14,665	14,712	14,786	15,227	15,227	15,526	15,627
Kearney	6,478	6,543	6,650	6,753	7,100	7,199	7,052	6,902	6,747	6,788
Medical Center	2,206	3,194	3,237	3,494	3,625	3,655	3,681	3,696	3,790	3,862
TOTAL COLLEGES AND UNIVERSITIES	54,211	56,355	57,867	58,751	59,089	59,117	59,689	60,217	60,765	61,421
<b>COMMUNITY COLLEGES</b>										
Central CC	6,531	6,885	7,320	7,527	7,521	7,283	6,906	6,377	6,227	6,316
Metropolitan CC	14,804	15,055	17,003	18,523	18,518	17,376	15,752	14,675	14,812	14,788
Mid-Plains CC	2,715	2,708	2,765	2,988	2,623	2,591	2,491	2,143	2,235	2,276
Northeast CC	5,149	5,140	5,205	5,377	5,161	5,251	5,145	5,061	5,051	5,075
Southeast CC	9,603	10,419	11,556	12,242	11,479	10,168	9,751	9,392	9,248	9,262
Western CC	2,233	2,939	2,304	2,395	2,240	2,230	1,960	1,836	1,534	1,719
TOTAL COMMUNITY COLLEGES	41,035	43,146	46,153	49,052	47,542	44,899	42,005	39,484	39,107	39,436
TOTAL ALL INSTITUTIONS	95,246	99,501	104,020	107,803	106,631	104,016	101,694	99,701	99,872	100,857

**NOTE:** (1) University of Nebraska-Lincoln count includes Nebraska College of Technical Agriculture - Curtis for all years.

**SOURCE:** Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

**FULL TIME EQUIVALENT PERMANENT  
EMPLOYEES BY FUNCTION**

2007 - 2016

<b>FUNCTION</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Conservation	318	309	318	329	323	328	321	316	313	318
Regulation	362	364	358	357	350	355	358	353	360	355
Economic Development	525	452	478	441	459	430	426	439	440	444
Culture and Recreation	564	556	542	519	495	503	512	510	504	502
Education	590	593	606	598	586	578	579	603	608	605
Transportation	2,137	2,153	2,175	2,147	2,118	2,102	2,118	2,103	2,113	2,083
General Government	2,765	2,723	2,777	2,692	2,706	2,687	2,840	2,919	2,975	3,057
Public Safety	3,380	3,414	3,457	3,409	3,369	3,333	3,381	3,436	3,406	3,320
Health & Social Services	5,802	5,665	5,738	5,524	5,433	5,586	5,748	5,700	5,726	5,476
	<u>16,443</u>	<u>16,229</u>	<u>16,449</u>	<u>16,016</u>	<u>15,839</u>	<u>15,902</u>	<u>16,283</u>	<u>16,379</u>	<u>16,445</u>	<u>16,160</u>

**SOURCE: Nebraska State Government - State Personnel Division - 2017 Almanac**

State of Nebraska

# OPERATING INDICATORS BY FUNCTION

2008 - 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
<b>Department of Revenue</b>										
Percentage of returns filed electronically	66.0%	70.0%	78.0%	85.0%	88.0%	88.5%	89.9%	90.8%	90.8%	90.7%
Percentage of direct deposit refunds	75.0%	77.0%	72.0%	71.0%	80.5%	77.3%	78.9%	77.8%	78.2%	77.5%
<b>Department of Roads</b>										
Percentage of Roads in very good or good condition (1)	81%	79%	75%	74%	74%	74%	75%	82%	84%	84%
<b>Conservation of Natural Resources</b>										
<b>Department of Environmental Quality</b>										
Inspections by field office staff										
Air Quality	129	129	133	148	139	90	82	216	184	139
Water Quality	1,158	1,147	1,384	1,502	1,591	1,801	1,113	1,396	1,552	1,682
Waste Management	137	140	141	146	153	172	145	135	130	126
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
Park visitors (1,2)	9,910,097	8,780,619	10,441,504	9,703,332	10,597,549	11,684,965	12,426,891	11,654,110	13,469,281	N/A
Hatchery fish raised (in millions) (1)	22.8	35.6	46.4	35.5	40.4	39.4	48.6	49.7	48.0	N/A
<b>Education</b>										
<b>Department of Education</b>										
Fall Enrollment										
Pre-K to 12th grade	292,497	295,352	298,550	301,317	303,505	307,677	312,635	316,015	319,194	N/A
State Colleges and Universities	56,355	57,867	58,751	59,089	59,117	59,689	60,217	60,765	61,421	N/A
Public Community Colleges	43,146	46,153	49,052	47,542	44,899	42,005	39,484	39,107	39,436	N/A
<b>Health and Social Services</b>										
<b>Health and Human Services</b>										
Child Support Payments										
Number of Payments Received	1,444,202	1,471,974	1,483,868	1,486,397	1,517,767	1,505,288	1,381,831	1,513,974	1,537,522	1,537,522
Number of Payments Disbursed	1,156,102	1,312,748	1,332,638	1,362,598	1,387,684	1,379,810	1,400,860	1,414,213	1,415,392	1,293,111
Medicaid (average monthly)										
Medicaid recipients	203,513	208,696	224,459	235,353	237,543	240,639	235,496	235,355	232,795	237,309
Percentage of Nebraska population	11.4%	11.6%	12.3%	12.8%	12.8%	12.9%	12.5%	12.4%	12.2%	N/A
Food Stamps (average monthly)										
Number of households	52,162	55,178	68,098	75,460	76,776	78,743	78,051	76,989	78,370	78,788
Percentage of Nebraska households	7.3%	7.7%	9.3%	10.2%	9.6%	9.8%	9.6%	9.4%	9.5%	N/A
<b>Public Safety</b>										
<b>Department of Correctional Services</b>										
Inmate population (average monthly) (1)	5,289	5,395	5,469	5,602	5,975	6,224	6,544	6,659	6,641	N/A
Percentage of Nebraska population	0.30%	0.30%	0.30%	0.30%	0.32%	0.33%	0.35%	0.35%	0.35%	N/A
Total Admissions (1)	2,801	2,709	2,648	2,956	3,258	3,351	3,242	2,608	2,504	N/A
Total Releases (1)	2,789	2,598	2,544	2,861	3,251	3,113	2,985	2,555	2,094	N/A
<b>State Patrol</b>										
Miles Patrolled (1)	10,489,515	10,161,183	10,119,800	9,360,000	10,116,896	10,166,005	9,862,217	9,858,966	10,032,172	N/A
Accidents Investigated (1)	1,963	2,331	2,430	2,293	1,978	2,117	1,931	2,105	2,173	N/A
<b>Transportation</b>										
<b>Department of Motor Vehicles</b>										
Motor Vehicle Registrations (1)										
Automobiles	1,140,386	1,147,354	1,148,305	1,158,374	1,161,629	1,174,669	1,188,368	1,205,595	1,220,465	N/A
Trucks										
Farm	160,264	162,778	165,760	171,458	173,649	176,910	177,796	180,150	180,697	N/A
Commercial / Other	389,686	392,120	396,004	400,746	403,846	411,037	417,049	428,617	439,291	N/A
Motorcycles	49,191	50,322	51,359	53,773	55,461	55,833	55,475	55,585	55,340	N/A

**NOTES:** (1) Data is provided on a calendar basis.  
(2) Park visitation is counted in daily visits.  
N/A - Not Available

**SOURCE:** State Agencies: Department of Revenue, Department of Roads, Department of Environmental Quality, Game and Parks Commission, Department of Education, Health and Human Services, Department of Correctional Services, Nebraska State Patrol, Department of Motor Vehicles

State of Nebraska

# CAPITAL ASSET STATISTICS BY FUNCTION

2008 - 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>General Government</u></b>										
<b>Department of Administrative Services</b>										
Buildings	291	288	283	278	277	271	266	267	263	270
Vehicles	1,093	1,134	1,075	1,077	1,083	1,007	1,050	1,058	1,046	1,062
<b><u>Conservation of Natural Resources</u></b>										
<b>Game and Parks Commission</b>										
Acres of state park and wildlife land (in thousands)	149	149	150	150	151	152	152	152	154	151
<b><u>Culture - Recreation</u></b>										
<b>Game and Parks Commission</b>										
State Parks	8	8	8	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	9	9	9	9	9
Recreation and wildlife areas	325	327	328	323	321	322	322	347	350	350
Fish hatcheries	5	5	5	5	5	5	5	5	5	5
<b><u>Education</u></b>										
<b>NETV Commission</b>										
Towers, antennas and transmitters	60	42	42	42	42	42	42	42	45	51
<b><u>Public Safety</u></b>										
<b>State Patrol</b>										
Pursuit Vehicles	474	474	432	384	436	486	486	526	339	310
<b>Department of Corrections</b>										
Buildings	143	135	131	134	135	134	130	150	149	134
<b><u>Transportation</u></b>										
<b>Department of Roads</b>										
Highway miles (calendar year)	9,949	9,949	9,950	9,945	9,946	9,946	9,945	9,942	9,944	N/A
Heavy trucks, plows and graders	1,053	1,120	1,095	1,109	1,063	1,054	1,052	1,022	1,025	1,064

**NOTE:** Other agencies, including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.

**SOURCE:** State Agencies: Department of Administrative Services, Game and Parks Commission, NETV Commission, Nebraska State Patrol, Department of Correctional Services, and Department of Roads

## State of Nebraska

# MISCELLANEOUS DATA

June 30, 2017

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Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)

**SOURCE:** Nebraska Blue Book, 2016-2017.



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Report produced by:

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